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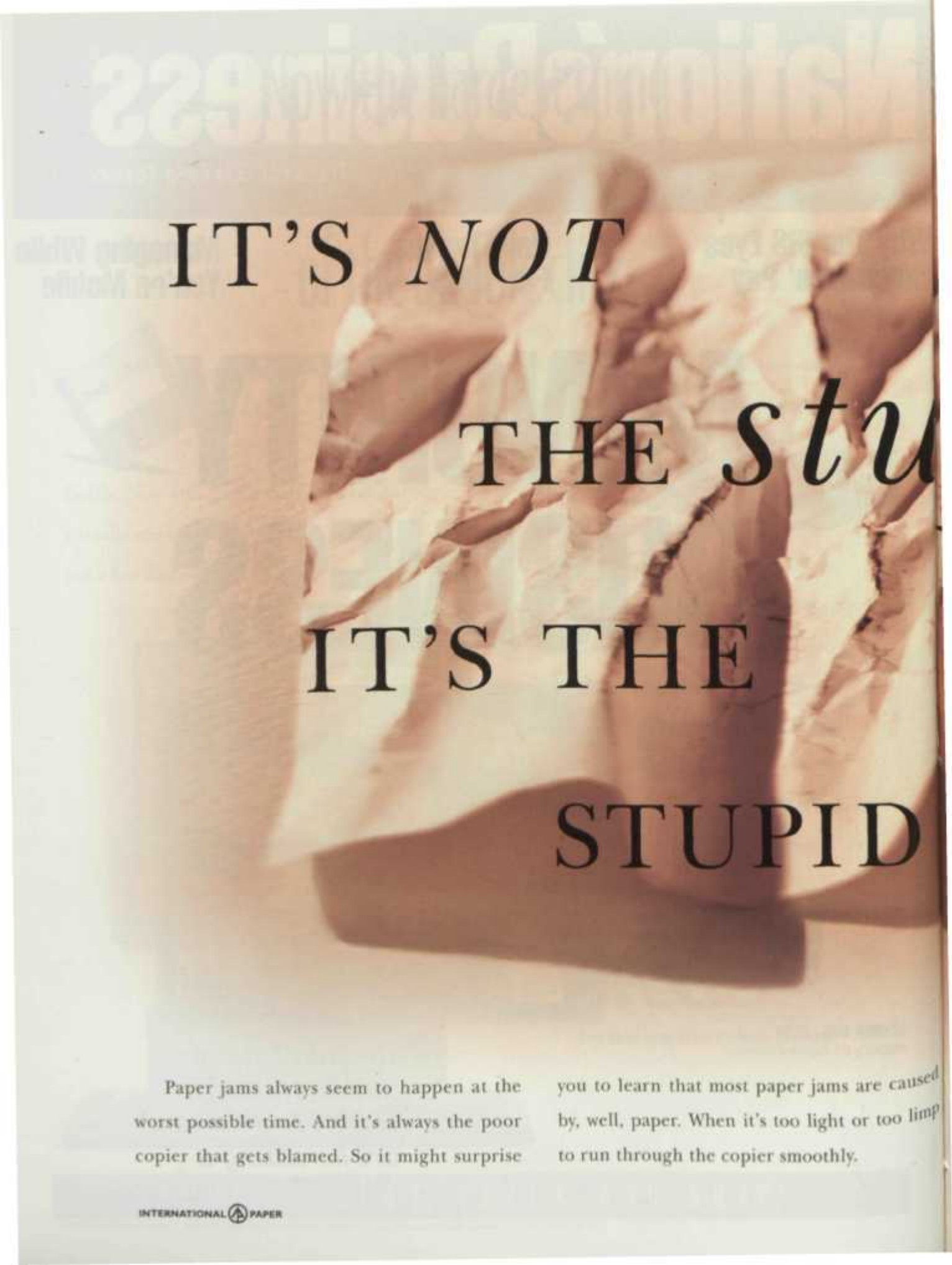
MINORITY BUSINESS

The New Wave



Rhonda Johnson and her father, Robert L. Johnson, are heralding a promising trend.

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PHOTO: T. MICHAEL KEZA

Thriving businesses *such as the packaging-materials company formed by Rhonda Johnson with her father, Bob Johnson, reflect the results of efforts throughout the country in recent decades to foster minority entrepreneurship. Cover Story, Page 18.*



ILLUSTRATION: GEORGIA LEIGH MCDONALD

Unsuspected errors *in credit records can sabotage a loan application. Small Business Financial Adviser, Page 76.*

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PHOTO: RICHARD ROWARD

New technologies *help Gregg Brasso run his firm while on the road. Small Business Computing, Page 38.*

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Editor's Note

Looking Forward



PHOTO: T. MICHAEL KEZA

Much has been written and said about affirmative-action programs in recent months, but few media organizations have taken a hard look at minority businesses, the entrepreneurs driving them, and how these companies are doing in the marketplace.

Our special correspondent, Sharon Nelton (at left in the photo with business owner Kavelle R. Bajaj), was particularly suited to taking such a look. For 3½ years following the infamous 1967 riot in Detroit, Nelton was on the staff of the New Detroit Committee, the nation's first urban coalition. She worked with local business, labor, religious, and civil-rights leaders on the panel to develop recommendations for addressing the conditions that had led to the July 23 outbreak. The riot, one of the most devastating during that summer of violence, left 43 dead, hundreds injured, 5,000 homeless, 500 businesses destroyed, and about as many company properties seriously damaged.

"It was there, as we struggled to understand the causes of the riot and to come up with remedies to prevent anything like it from ever happening again, that I gained my first appreciation for the absolute necessity of nurturing the development of minority businesses," Nelton says.

How have minority businesses fared over the 28 years since then? And why? See our cover story, beginning on Page 18.



PHOTO: JOHN ALEXANDER—BLACK STAR

One special report you won't want to miss—on Page 65—addresses why many franchisors, including Terry Shores, left, president of Chico's Tacos, are looking abroad and why others prefer to stay at home. A second, on Page 41, previews the new 1996 trucks, one of the automotive industry's bright spots.

Be sure to note also our article on the Small Business Institute, a new training opportunity for small companies and their employees, on Page 51, and the many other useful management articles throughout this issue.

Until next month,

Mary Y. McElveen
Editor

Nation'sBusiness

Letters

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Predicting The Life Span Of A Licensed Product

In addition to the valuable suggestions in your August cover story, "Hot Names, Top Dollars," I would like to add one that I have found to be as important as identifying the right licensed property. With the exception of a few classic properties, all others have a life span. As critical as it is to pick a successful property, it is equally critical to predict when the property will fall out of



favor. There is no science to forecasting the life span of a licensed property, but there are footprints in the snow that can aid in making this decision.
Jack Morrow
Executive Vice President
Dakin, Inc.
Woodland Hills, Calif.

Company Handles Licensing

I read with interest your August cover story on licensed merchandise, "Hot Names, Top Dollars." The article was well-researched, and I commend you on an excellent portrayal of the licensing industry. The article, however, said that schools including Notre Dame, Georgetown, Michigan, Indiana, and Duke handle their own licensing programs. This is inaccurate. The Collegiate Licensing Co. currently serves as the licensing representative for Georgetown, Michigan, and Duke. Additionally, the company services other top national programs, including Penn State, North Carolina, and Nebraska. I appreciate your interest in the licensing industry.
Dianne Shoemake
Public Relations Director
The Collegiate Licensing Co.
Atlanta

[Editor's Note: Nation's Business *regrets the error. Georgetown, Michigan, and Duke are among the schools represented by The Collegiate Licensing Co. Notre Dame and Indiana manage their own licensing programs.]*

Increase In Patent Fees Would Stymie Innovation

When I read about the GOP's plan to eliminate the Commerce Department ["Downsizing The Cabinet," August], I almost choked. While I agree some downsizing is needed, I think the Patent and Trademark Office should be an agency labeled "hands off."

Under the GOP plan, the Patent and Trademark Office would become part of the Justice Department and be required to support itself through fees. Patent and trademark fees are today almost out of reach for small businesses and independent inventors. To require the Patent and Trademark Office to be entirely self-supporting would stifle the creative spirit that made the U.S. the great country that it is today.

Let's not discourage the McCormicks and Edisons of the future.
Clayton Williamson, President
United Inventors Association
of the United States of America
Great Bend, Kan.

The Case Against Statement Stuffers

Regarding "Piggyback Pitches" [Direct Line, August]: The reader who wanted advice on placing advertising stuffers in insurance statements mailed to customers had the plan backward. The insurance agency should be placing stuffers in other companies' mailings. The minuscule net income from stuffers in the company's own mailings minus the income from clients who become irritated and switch agencies will result in a net loss.

I commend the reader, who is apparently an employee and not the owner, for the initiative shown. The insurance agency, however, should strive to increase its commission income, not diversify. When busi-

ness is slow, call prospects for those all-important expiration dates and begin filling the pipeline with new prospects.
Gus Philpott
Richmond, Va.

Lumped In With Generation X

After reading "Overcoming A Youthful Image" [Managing Your Small Business, August], I just wanted to say thank you. I am a 20-year-old office manager at a mechanical-engineering company and a business major. I plan to start a consulting firm when I get my degree. Even though I strive to maintain a professional attitude and appearance, I sometimes encounter older people who seem to have a hard time overlooking my age. I have to assert my talents and experience before they are comfortable



ILLUSTRATION: GEORGIA LEIGH MCDONALD

with my work and sure of my credibility.

Many people who have been haphazardly cast into Generation X are now becoming a valuable segment of our economy and a sought-after resource.

I hope you will continue to address the concerns of young businesspersons.
Cindy Medford
Mek-a-nize Engineering, Inc.
Colorado Springs, Colo.

Raising A Child Alone Is Not Easy

I am writing in response to the article on the desk-calendar company, "Another Day, Another Dollar" [Making It, August]. It was a great article, and it is always nice to read or hear about entrepreneurs like Cynthia Parker who are successful. But it saddened me to read her statement on being a single mother: "You get to raise the child the way you want; there are no arguments. My house is a really peaceful house—there's only laughter." I am a happily married working mother, and yes, there is laughter in my house, along with crying, yelling, and peace. We all work together as a family. I am concerned that Ms. Parker's statement might give young adults the impression that raising a child alone is easy. Family life is a lot of hard work, just like anything worthwhile.
V. Varn
Camarillo, Calif.

Group Working To Promote Healthier Workplaces

Your September article on employee wellness programs, "Preventive Medicine," mentioned the Association for Worksite Health Promotion but neglected to include it in the "For More Information" sidebar. Founded in 1974, ours is the only association dedicated solely to work-site health promotion. We offer a free information brochure as well as several low-cost publications, including *Worksite Health Promotion Economics* and *Guidelines to Employee Health Promotion Programs.*

For more information on our resources and member benefits, call us at (708) 480-9574.
Kevin R. Hacke, Executive Director
Association for Worksite Health Promotion
Northbrook, Ill.

Looking Ahead To The 3rd Millennium

I read with interest a letter in the August issue, "New Century Will Begin in 2001, Not 2000." I certainly agree that the 21st century begins one millisecond after midnight, Dec. 31, 2000, but I do not agree with the writer about the beginning of the third millennium.

A millennium is 1,000 years. The third such period begins after the passage of two 1,000-year periods. The second 1,000-year period ends at midnight, Dec. 31, 2000. Therefore, the third millennium begins at the exact instant that the 21st century begins. The first day of the 21st century *and* the third millennium is Jan. 1, 2001.
Gary A. Penrod
Gary Penrod & Associates, Inc.
Wilmington, Del.

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Entrepreneur's Notebook

By Clark Childers

Setting Sail On A New Venture

Early last year, I had pulled together several key ingredients of a successful small business: a comprehensive business plan, prototypes of the sailboat cover I wanted to produce, available funding, and an untapped market.

I love sailing, but I disliked having to take apart my small Sunfish sailboat each night, removing the sail and packing up the centerboard, rudder, and tiller—a chore that can take 15 to 20 minutes. To make sailing more enjoyable, I designed a fabric cover that fits around the mast, covers the boat, protects removable parts, and includes a pocket for the sail. You can cover a Sunfish with it in just a few minutes.

My prototypes worked, but my attempts at mail order and marketing in local boat shops met with only limited success. At first, I was able to meet demand by having a family friend hand-sew the boat covers as needed.

Then I wrote to Peter Johnstone, the president of Sunfish/Laser Inc., in Portsmouth, R.I., and landed an order for 300 of my boat covers. My mother co-signed a bank loan, and I went to work looking for an affordable production facility that could fill the orders quickly. We had only six weeks from contract signing to delivery, and I wanted to make a profit.

When I couldn't find anything better than a break-even arrangement in my hometown of Corpus Christi, Texas, I followed a suggestion to look in Mexico, where I found Tight Stitches, a firm in Piedras Negras, just over the border. The company met the deadline and charged $30 less per cover than the lowest bid by anyone in Corpus Christi. The order helped my company, QuikSkins Boat Covers, make 1994 sales of $45,000. Profits topped $20,000. Through the summer, we have had sales of close to $20,000.

I still work with Tight Stitches, but my other products are made by a workshop for people with disabilities, close to my home in Corpus Christi. One of those products is the QuikGrip, a "sling" that lets you bundle a Sunfish centerboard, rudder, and tiller and carry them over your shoulder. Another product is the SnootBoot—"bumpers" that protect the nose and sides of a boat during shipping or docking.

I designed my first boat cover when I was 12. When I met with Johnstone of Sunfish/Laser, I was 15. I'm now 17, and I plan to continue running the company when I enter college. I haven't been in business long, but I've gained valuable experience. I've found, for example, that if you have a product idea and are starting small, it's crucial to find the right manufacturer. Here are some suggestions on how to do so:

■ Lose your preconceived ideas. If you've got a start-up—or a short deadline—you don't have much bargaining power. Thus, the manufacturer up the street from you may not be the right choice. Using a foreign factory or a shop made up of workers with disabilities may not be your first choice, but it may be more profitable.

■ Match the manufacturer with the product. A manufacturer suitable for one job may not be the right choice for all of your products. Part of the attraction of Tight Stitches, the Mexican production facility, was that it was experienced in dealing with American-based firms. For example, it already was manufacturing portable-computer bags for Apple. On the other hand, one of my new products, the QuikGrip, is relatively simple to sew. It would be a waste of money to pay Tight Stitches to do that. The shop for people with disabilities was the appropriate choice for that job.

■ Try to be present during production. Regardless of the contractor's location, you should ensure that you or a representative will be able to visit the factory several times during the manufacturing of the product to make certain that your standards are being met.

One size does not fit all jobs. If you keep developing new products, go through the selection process every time, and stay open to suggestions of nontraditional ways of manufacturing regardless of your firm's size or the size of your order. NB



PHOTO: GERAD DOHERTY

Teenage entrepreneur *Clark Childers' Texas firm makes QuikSkins boat covers.*

What I Learned

Don't let preconceived ideas dictate how you plot your course. Be open to nontraditional ways of doing things.

Clark Childers, president of QuikSkins Boat Covers, in Corpus Christi, Texas, prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on running or starting a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

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PAYROLL COSTS

A Medicare Tax Hike's Impact On Business

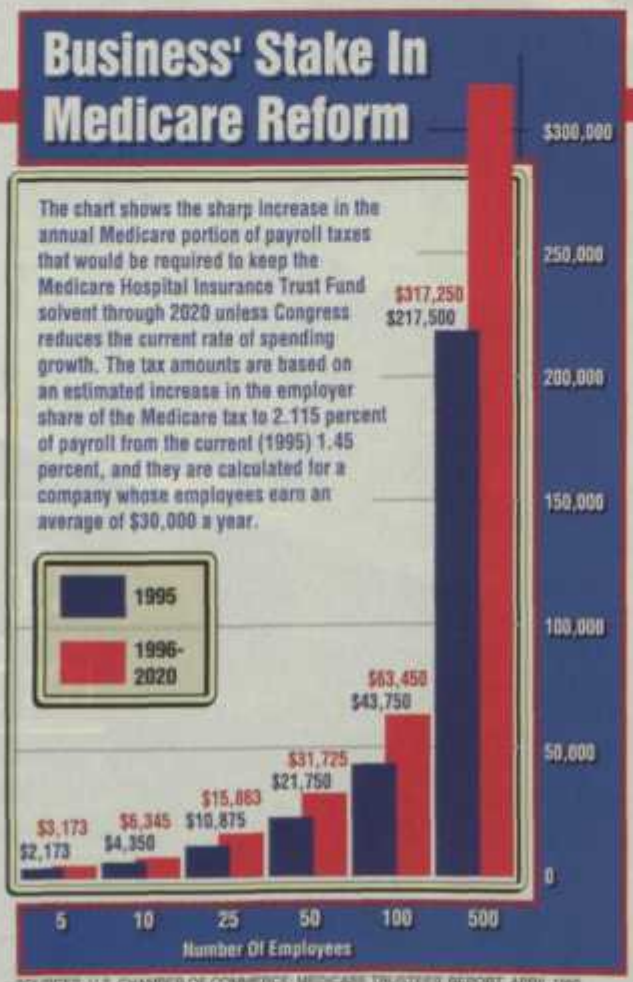
The Coalition to Save Medicare, consisting of the U.S. Chamber of Commerce and other business organizations, is urging Congress to avert the looming fiscal crisis in Medicare by reducing the growth rate of spending on the program rather than by increasing payroll taxes that finance the program.

The coalition says a tax hike of the size required to keep Medicare on its current spending-growth track of 10 percent a year would have severe economic consequences.

According to the trustees of Medicare's Hospital Insurance Trust Fund, the fund will be bankrupt in six to 11 years unless tax revenues supporting the program are increased or spending is curtailed. The trust fund pays for inpatient hospital care for the elderly and for the long-term disabled.

Republican leaders in Congress have proposed restoring solvency to the hospital insurance fund and Medicare's supplementary medical insurance program by slowing growth to about 6.5 percent a year. The GOP lawmakers say their reform proposals would produce $270 billion in savings over seven years to be used to reduce the federal budget deficit.

The Clinton administration and many congressional Democrats have criticized the Republicans' plan, but at press time they had yet to offer a counterproposal.



SOURCES: U.S. CHAMBER OF COMMERCE; MEDICARE TRUSTEES' REPORT, APRIL 1995

Among the possible solutions offered by the Medicare trustees—four of the six are Clinton appointees—is an increase in the combined employer-employee tax on workers' salaries for the hospital insurance portion of Medicare. The tax could be raised immediately to 4.23 percent from its current 2.9 percent to keep the trust fund in balance for the next 25 years. (The Medicare hospital insurance payroll tax is divided equally between employer and employee, with each currently paying 1.45 percent; if the tax rises to 4.23 percent, each would pay 2.115 percent. See the chart for the effects on employers if their portion of the tax is increased to 2.115 percent.)

If spending is not curtailed, according to the report that the trustees issued in April, the combined payroll tax could be increased to 5.58 percent to balance the fund for the next 50 years. To achieve balance for 75 years, the trustees said, the tax would have to be hiked to 6.42 percent.

The effects of such increases on the economy could be devastating, the Chamber says. According to projections based on economic models by the organization's Economic Policy Division, a hike in the hospital insurance payroll tax of the size required to balance the fund for 25 years would result in a 1.2 percent—or $70 billion—decrease in U.S. gross domestic product in 1997. In addition, 1.2 million fewer jobs would be created that year.

Bigger tax increases that would be required to maintain a balance in the trust fund for the longer periods would result in greater decreases in GDP and more of a drag on job creation, according to the Chamber's simulations. An increase in the tax to 6.42 percent, for example, would cost 3.2 million jobs and reduce GDP by 3.1 percent in 1997.

—David Warner

FOR THE RECORD

■ **A guide to help employers** prepare for workplace emergencies is available from the Occupational Safety and Health Administration.

The 16-page booklet provides an overview of the basic steps that businesses should take if they are faced with an emergency such as a fire, a chemical spill, an explosion, or a serious injury to an employee.

The booklet also includes a section on services offered by OSHA. They include free on-site consultations and education and training on workplace safety and health.

To obtain a free copy of the guide, *How to Prepare for Workplace Emergencies* (Publication No. 3088), send a self-addressed adhesive label to the U.S. Department of Labor, OSHA/OSHA Publications, P.O. Box 37535, Washington, D.C. 20013-7535. *—David Warner*

■ **The Federal Trade Commission** has published new rules for firms that solicit business over the phone.

Under the rules, for example, telemarketers cannot call consumers before 8 a.m. or after 9 p.m. In addition, they must promptly provide call recipients with several pieces of information, including a statement that the call is a sales effort and a description of the nature of the products or services being offered.

Each violation of the rules can result in a civil fine of up to $10,000.

To obtain a free copy of the rules, call the FTC at (202) 326-2222.

—Laura M. Litvan



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Managing Your Small Business

Gearing up for next year; clearing the air; tapping your inner wellsprings of creativity.

By Roberta Maynard

PLANNING

At Season's End, The Real Work Begins

The best way to make a go of a seasonal business is to treat it like a year-round venture. That strategy has been the key to 50 years of success at the family-run Camp Echo Lake, in Warrensburg, in New York's Adirondacks.

What culminates in eight weeks of summer fun for 450 children and 200 staff members at the camp begins with 44 weeks of preparation. When the season ends in August, brothers Tony and George Stein and their mother, Amy Stein, the camp's directors, begin work.

Initial correspondence goes out to parents in September. By January, the camp is fully booked for the following summer.

Even the darkest days of winter are busy, as the Steins plan ways to expand the business—working on short- and long-term projects, curriculum additions, marketing, and promotion.

The importance of such planning is growing, says Tony Stein, because the range of summer choices for children is widening. Among the Steins' newest attractions are trips for teenage campers to Western states and to Australia.

Camp Echo Lake provides for steady cash flow by requiring parents to pay in installments throughout the year. It draws additional income during the off-season by being host to college sports teams in training and by operating wilderness and ski getaways. The company's good relationship with its bank helps it get through rough patches, Tony Stein says.

From January through May, a full-time recruiter hires counselors by placing ads and visiting colleges and job fairs.

In the spring, the Steins consider capital improvements. Each year, some new feature is added to make the camp experience different. This past year, the Steins renovated the field house and built an in-line-skating rink. Maintenance of grounds and buildings continues throughout the year.

Also in the spring, the staff reviews evaluations completed the previous summer by campers and counselors. Their suggestions cover everything from new activities to menu changes.

Busy as it is, an advantage of the off-season, says Tony Stein, is that it's a time when you have control over what you do; once the new season begins, as every seasonal-business owner knows, the demands of the enterprise take precedence. ■



PHOTO: VALAN JANUSEK

From autumn *through spring, Camp Echo Lake's directors—brothers George, left, and Tony Stein and their mother, Amy Stein—carry out curriculum, marketing, promotion, and expansion projects.*

THE WORKPLACE

Out With The Bad Air, In With The Good

Indoor-air quality may be a problem for employers whose workers experience discomfort or illnesses on the job.

Wayne Hansen, engineering director for an indoor-air consulting company in Los Angeles, says most of the cases he sees are related to a building's ventilation.

Often, the building's heating and air-conditioning systems need to be cleaned, the controls calibrated, or the flow of air from outside adjusted, says Hansen, who works for a division of the Mintie Corp.

Problems have occurred in some buildings when companies have cut back on outside-air flow as a way to cut fuel costs.

The remaining cases Hansen's company handles stem from a variety of causes, including items brought into the workplace, such as glue and solvents, whose odors are noticeable though mostly harmless.

Regular maintenance of ventilation systems can head off many health problems, says Hansen. As part of its maintenance program, his company looks for or measures, among other things, airborne bacteria, carbon dioxide, ozone (likely to be high in areas with electronic equipment), hydrogen sulfide (common in hotels, hospitals, or wherever there is a lot of plumbing), dust (often a problem in businesses that handle large amounts of paper), and chemicals (often found in places where aerosol sprays are routinely used, such as animation or design studios).

Some of these problems can be corrected by adjusting the ventilation and by keeping dust localized and out of the general work area. An exhaust fan can often help.

For more information, including U.S. Environmental Protection Agency publications, call the EPA's Indoor Air Quality Information Clearinghouse at 1-800-438-4318 between 9 a.m. and 5 p.m. Eastern time. In the Washington, D.C., area, call (202) 484-1307. ■



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CREATIVITY

Finding Ways To Keep Those Juices Flowing

For some business people, coming up with fresh ideas is an occasional necessity. For Joanne Brooks, it's an ongoing challenge. Brooks is president of Creative Impact Group Inc., in Deerfield, Ill. She and her eight full-time employees hire magicians, mimes, and dancers to perform in themes that Brooks' company develops for special events, store openings, business meetings, and trade shows.

How does one sustain creativity? For artists and designers, finding inspiration in everyday settings comes naturally. Business people can train themselves to do the same.

For example, it's important to keep an eye on what is happening in other industries, Brooks says. She routinely looks for ideas in publications on topics ranging from travel to fashion to computers. Other sources of inspiration are live performances, athletic events, and art shows.

One tip for fostering workplace creativity: Identify the creative people around you, and meet regularly to brainstorm. For one client who was introducing a line of appetizers with jalapeño peppers at a trade show, Brooks and her staff came up with a howling contest that stemmed from a staff joke about "howl"apeño peppers. It was the hit of the show, Brooks says.

Do a lot of your thinking away from the office, she advises. "When you're overwhelmed with the day-to-day details of running your business, it's hard to distance yourself enough to come up with the next pet rock." ■



PHOTO: EDWARD SUTTON

Creative inspiration *is all around you, says Joanne Brooks.*

PACKAGING

And That About Wraps It Up

Packaging is more than a pretty face for your product. It also involves communication, protection, and convenience.

The Flexible Packaging Association, in Washington, D.C., suggests that you ask yourself: What product qualities call for special treatment? What is the desirable shelf life? How important is convenience for customers? Are there concerns about tampering? Are there safety, health, or environmental considerations?

Even a product's chemical content must be taken into account. Potato chips, for example, spoil quickly when sunlight oxidizes the high fat content. For this reason, opaque foil is often used, and carbon dioxide is added to force out any oxygen.

To determine a product's chemical content, seek out a packaging engineer. For more-general recommendations, consult local packaging suppliers. A good supplier can also advise you about the myriad federal regulations affecting packaging, particularly for food products.

For a list of the universities in the United States that offer undergraduate programs in packaging—and that might be able to help you with packaging matters—call the Institute of Packaging Professionals, in Reston, Va., at (703) 318-8970. The institute also offers entry-level classes in packaging. For a recorded listing of conferences and seminars, call (703) 834-0906. ■

SECURITY

Tips For Spotting Bad Checks

If you experience losses because employees aren't as careful as they should be when examining checks presented to them, try this approach offered by the American Bankers Association, in Washington, D.C.

The best way to catch errors or alterations is to examine each check the same way. Train your employees to read a check clockwise, as bank employees do, checking the date, the amount of the check in figures, and the signature (to make sure it matches the name printed on the check).

Examine the transit number, at the bottom of the check in the center or to the left, to make sure it contains nine digits and is preceded and followed by a stop symbol—an upright dash and two dots.

Next, look at the amount of the check as it is written out. A check with a written amount that doesn't agree with the amount expressed in figures is called an informal check and generally should not be accepted. Finally, make sure the check has been made out to the correct company or individual.

Beyond these more obvious signs, remind employees to look for subtle abnormalities: Is the check printed on paper other than check paper? If typed, are there variations of type styles? Are letters out of line? Are there erasures? Does the print feel raised? Embossed lettering might be a sign of a bogus color copy. ■

NB TIPS

Ad Expertise

Searching for an advertising agency? Check with the larger newspapers in your area. Many publish free directories of local agencies. Another source is *The Standard Directory of Advertising Agencies* (also known as the Agency Red Book), found in library reference sections. The directory lists public-relations firms and notes specialty areas. You can also ask your industry association's trade publication for referrals, or check the Yellow Pages under Advertising.

Free NAFTA Listing

Firms wishing to do cross-border business in the United States, Canada, or Mexico can list their products or services free in the first edition of *The NAFTA Export Pages*, a business-to-business buyers' guide due out in December. An electronic version will appear on the Internet. Firms listed will receive a free copy of the book and the CD-ROM version. The deadline for inclusion is Oct. 31. Call the publisher, U S WEST, at 1-800-288-2582. ■

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Locker Room To Board Room

By J. Tol Broome Jr.

When Drew Pearson's National Football League career as an all-pro wide receiver ended prematurely with an automobile accident in 1984, he knew he wanted to remain associated with pro sports. His 11-year playing career included 489 receptions and a Super Bowl championship ring, and he was quickly hired by CBS.

After his CBS contract wasn't renewed following his rookie year in broadcasting, Pearson was hired as an assistant coach by his former team, the Dallas Cowboys. Still, he says, it wasn't the challenge he wanted.

Two friends, Kenneth W. Shead and D. Michael Russell, had been after Pearson to help start a sports-apparel venture. Pearson joined the effort, and today, according to the National Sporting Goods Association, Drew Pearson Cos. (DPC), based in Addison, Texas, is one of the leading makers of sports caps in the country.

Pearson, Russell, and Shead injected a total of $20,000, other investors put up $100,000, and a local bank provided a $20,000 loan. Nonetheless, says Pearson, the firm's CEO, "capital was a problem for us for quite some time."

The company generated first-year sales of $3 million by selling hats, shirts, and jackets to high-school sports teams and to the Dallas Sidekicks, a professional soccer franchise.

But DPC had to sue a distributor over a sales-contract dispute. Shead, Russell, and Pearson went without salaries during the first year, and the bank refused additional financing.

In its second year of operation, however, in 1986, DPC was licensed by the U.S. Olympic Committee to produce headwear for the 1988 Olympic Games in South Korea. "We were stunned," Pearson says. "And we really didn't know what to do next. We were small and really didn't know how to source, fund, or market the deal."

A joint venture with another headwear company was the answer. Pearson had the much-coveted contract, while the other firm was able to secure a $5 million line of credit to finance the deal. "At the same time we were learning the business and developing our own track record," he says.

DPC, which now has 175 employees and has shifted its focus to headwear only, has grown into one of the most successful minority-owned businesses in the U.S. (Pearson and Shead, the company's president, own 26 percent each; Russell, the executive vice president of sales and marketing, and David Briskie, the chief financial officer, own 22 percent each; outside investors own 4 percent.)

When DPC first sought to establish a bank of licensing arrangements with the likes of the NFL, Walt Disney Co., and Warner Bros., Pearson says, it found it didn't have enough resources to meet the minimum guarantees of royalty and sales levels required by the big licensors. "So we signed up other headwear companies to help with distribution," says Pearson, 44.

In recent years, DPC has come to rely less on other distributors. Gross sales doubled in 1992 and again in 1993, reaching $78 million. As a result, DPC was named company of the year in 1994 by *Black Enterprise* magazine, an honor Pearson



PHOTO: EDDIE HOPPER

Teamwork *has helped former Dallas Cowboy Drew Pearson, standing, build a leading sports cap company with partners, from left, David Briskie, Kenneth W. Shead, and D. Michael Russell.*

J. Tol Broome Jr. is a vice president of FirstSouth Bank in Burlington, N.C.

compares to "winning the Super Bowl."

Sales dropped in 1994 to $65 million, a slide Pearson attributes primarily to the professional-baseball strike and the lockout in hockey. Even so, DPC ranked 22nd on *Black Enterprise*'s most recent listing of the country's top 100 black-owned businesses. (For more on minority business, see the cover story, on Page 18.)

The company has nearly 40 licenses with major sports leagues, entertainment entities, and black colleges and universities. Its caps feature logos for such teams as the Dallas Cowboys, the Orlando Magic, and the New York Yankees and such Looney Tunes cartoon characters as Bugs Bunny.

The hats are marketed under trendy brand names such as Jagged Edge, The Claw, and Super Highway, and DPC is known for its innovative designs.

"It's the flair and style that goes into every cap that makes DPC popular among the hotly contested preteen and teen market," says Carmine Lengua, a buyer for Foot Locker, the New York-based athletic-shoe and apparel company.

DPC hats have been selling well in Europe, Australia, South America, and China, and Pearson foresees continued international growth. He also hopes DPC will become a full-service sports apparel company. How will he accomplish this? With the help of his teammates, of course.

Pearson says he tries to create for his employees the kind of team atmosphere his former coach Tom Landry created with the Cowboys. "I give them the freedom," Pearson says, "to develop the strategies necessary to get the job done." ■

Profits In Bloom

By Michael Barrier

Lorraine Miller remembers very well why she went into business for herself 20 years ago. "I had a boss who kept telling me to get my woolly head out of the way when I had questions," she says. "So I decided to be my own boss." She was then a lab technician at the University of Utah medical center, in Salt Lake City. She had a bachelor's degree in history, "so nothing was adding up," she says.

Earlier, Miller had spent more than two years as a volunteer in North Carolina for VISTA (Volunteers in Service to America). In those days, she had "the idea that maybe creating a profit also created poverty in the world, so business was the furthest thing from my mind," until her cantankerous boss pushed her in that direction.

It's a measure of how much her view of the world has changed in the intervening decades that she was named Small Business Person of the Year last year by the U.S. Small Business Administration. The national recognition came after she won the state award for Utah as owner of a Salt Lake City plant store, Cactus & Tropicals.

When Miller was deciding which business to enter, she realized that in Salt Lake City, "you could get petunias from an outdoor nursery or cut flowers from a florist, but there were really no sources for potted house plants." She used about half of her $2,000 in savings to set up and stock her first store, called the Grass Menagerie.

Soon, she says, she "started jumping in my Volkswagen van and driving to Southern California at 4 p.m. on Fridays" to visit as many nurseries as she could during the weekend in search of unusual plants.

When the van got too small, she switched to a rented truck. She was driving 12 hours each way—"but when you're 25 years old, you can work all day and drive all night, and still have plenty of energy."

It was not until 1979, when she moved to her current location and opened Cactus & Tropicals, that she hired her first employee. "I'm sure that my income was below the poverty level for at least my first five years in business," she says. "It's a good thing that when you're self-employed you don't have to follow the labor laws."



PHOTO: STEW KELLY—BLACK STAR

A mission statement *helped Utah plant retailer Lorraine Miller map out her firm's direction.*

It was when she made that move that she built a greenhouse and switched heavily into wholesale, selling to grocery chains. But now she has shifted back toward retail, where margins are higher. In addition, some of her 35 employees care for about 2 million plants under commercial maintenance contracts, an area with "a huge growth potential," she believes.

After she was named national Small Business Person of the Year, Miller recalls, she was "totally depressed—devastated. Because everybody was telling me I'd reached my peak."

But when she was with the other state winners, many of whose companies were considerably larger than hers, "I realized that it was a mind-set, how much money you make, and that I did want to start playing the game a little bit differently."

She came up with a goal to energize herself and her company; it called for Cactus & Tropicals to go from $1 million to $5 million in sales in three years. She also drafted a six-point mission statement that "pretty much encompassed where I wanted to go with my business."

That statement reflects ambitions not just for Cactus & Tropicals but for its employees. "It took me awhile, after I was in business, to realize that I was in it for the money," she says. "I want to create a space where my employees can grow, too, and to do that for them—helping with their educations and things like that—I have to make a lot of money." She expects sales this year to total just under $2 million.

One ambition is beyond Miller's reach. She went into business because she didn't want to have a boss, but now she has one even more demanding than the old one. When you're the owner of a small business, she says, "your business is your boss." ■

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Captivated By Lace

By Claire Buhl

"All of my hobbies have turned into business," says Sunny Drewel. First, it was her fascination with antiques that led to her owning a small antiques shop. "But every time I sold something I loved, I burst into tears."

Next, her interest in restoring a historic house resulted in a successful bed-and-breakfast venture. "But I got tired of scrubbing toilets and fixing water heaters that always seemed to break on Christmas Eve."

Then, nine years ago, on a visit to the German village of Osnabrück, where her great-grandfather had lived, she was captivated by lace. "Lace was everywhere—in windows, on tables, on shelves. It was overwhelming."

Her first thoughts were those of an entrepreneur: "Lace doesn't break. It's easy to mail." She bought two suitcases to fill with samples and returned to her home, near St. Louis.

With mail order in the '80s growing about 20 percent annually, Drewel thought it was a propitious time to turn her newest love into another business. For one year, she read everything she could, talked to the experts, looked at the competition, and consulted with the Direct Marketing Association.

With her husband, Joy, she took out a $16,000 second mortgage on their home and formulated a business plan. Between trips to Europe to line up suppliers and get design ideas, she set up a computer system, obtained an 800 telephone number, and cleaned off her kitchen table. She was ready to test the market for her new business, Linen & Lace.

Drewel designed her first ad, one-twelfth of a page in a home-decorating magazine, using a photo of her grandmother. It offered an eight-page catalog for $2. For the catalog cover, she used the same photo in sepia tone to give it a vintage look. It cost $4,000 to print 2,500 copies. The next year she changed to full color on the cover and, finally, to full color throughout—more fitting for her product. She was, she says, selling romance.

The full-color catalog did the trick. Orders tripled. "I had stacks of curtains and bolts of lace on the table, on the counter tops, on the sofa and beds," she recalls.

For almost two years, Drewel worked out of her home kitchen before she decided to close the bed-and-breakfast and transform the 1846 three-story stone house on the bank of the Missouri River, in the small town of Washington, Mo., into the headquarters of Linen & Lace.

Today, the first-floor parlor is a showcase of catalog items creatively displayed in an elegant, old-world ambiance. Lace curtains, the principal product, cascade from an antique armoire, and pillows, tablecloths, and unique home accessories fill the old pine cabinets.

Upstairs, the front room is devoted to packaging, and a small sitting room serves as the computer center.

But the heart of the business is located in the kitchen, where phone orders and catalog requests are taken—"always with a smile," Drewel says—and marketing ideas are discussed around the old, lace-covered pedestal table over a cup of tea.

Twice a year, Linen & Lace publishes a full-color catalog of 30 pages or more for a mailing list of 375,000. Annual sales are approaching the $1.5 million mark, and with paper and postage costs skyrocketing, minimizing expenses is a constant goal for Drewel and her staff of 10.

"There is very little money in my advertising budget," she says, "but I have been very fortunate in getting lots of editorial coverage. I've been in 15 national magazines and on one national TV program. There's lots of free press out there." She believes editors are hungry for interesting, newsworthy stories—like the one about the housewife starting a business on her kitchen table.

A profile of Drewel in *Better Homes and Gardens* two years ago generated more than 21,000 requests for a catalog—and the calls continue. "You know," she says, "the shelf life of a magazine is much longer than one month. The magazine is passed on from friend to friend and eventually, a year or so later, winds up in a gynecologist's office in front of a captive audience of women buyers."

Customer service is the last place she wants to cut expenses. She sends handwritten thank-you notes to first-time customers, makes spot follow-up calls to assure customer satisfaction, and includes a small, prettily wrapped "love gift" (a lace handkerchief or a linen guest towel) in random shippings.

It's expensive, but Drewel will not give up the distinctive Linen & Lace packaging. Covered with a lace pattern, her plum-colored boxes lined with plum tissue have become a trademark.

At her home, an elegant, old, lace-curtained farmhouse with two baby lambs gamboling on the lawn, Drewel is living the beautiful life depicted in her catalog—and she is selling the essence of it, by mail.

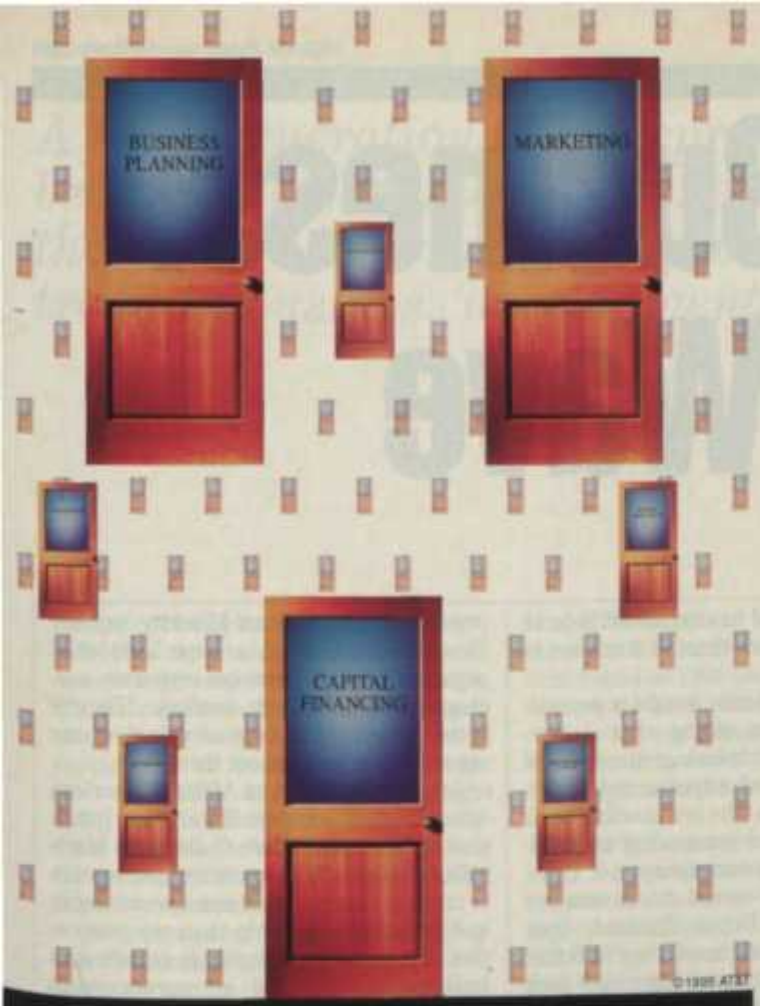
Lambs? They're her latest hobby. NB



PHOTO: EMANE KATZMAN

Love of lace *led Missourian Sunny Drewel to create a catalog, right, that now brings in nearly $1.5 million a year.*

Claire Buhl is a free-lance writer in Washington, Mo.



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COVER STORY

Minority Business: The New Wave

By Sharon Nelton

Meet Rhonda L. Johnson. Just four years ago, with her father and another partner, she started Johnson Bryce, a Memphis company that prints and laminates large rolls of thermoplastic film that is eventually used to make packaging for snacks and other products. The company employs 50 and expects revenue of $20 million to $22 million this year.

Or take brothers Ronald Lee Roybal and Michael Wayne Roybal, the owners of an architectural-engineering company in Denver. The Roybal Corp. did $4.9 million worth of business last year and has created jobs for 60 people.

In Birmingham, Ala., Tim Lewis launched T.A. Lewis & Associates, Inc., a telecommunications consulting company, eight years ago and has expanded it to 18 employees and more than $1.4 million in annual sales.

These entrepreneurs herald a promising trend: They are among what observers say are the increasing numbers of smart, well-educated, experienced minority-group members who are starting their own businesses and succeeding at building stable, growing companies.

Today's minority-owned businesses are "stronger, they're better financed, their owners are better prepared, they're better business people in general than were their predecessors," says Harriet R. Michel, president of the National Minority Supplier Development Council, a New York-based organization that promotes corporate purchasing from minority vendors. "They're better positioned to take advantage of any opportunities that are out there."

James I. Herbert, an African-American who directs the Urban Enterprise Initiative at Kennesaw State College, in Marietta, Ga., says: "The upcoming generation is moving more toward entrepreneurship and business ownership than my generation. You have more students enrolling in business schools and entrepreneurship programs. You have more young folks

Partners *Rhonda Johnson, Thomas Bryce, center, and Robert Johnson inspect flexible packaging that their company is producing for Frito-Lay.*



A fresh generation of entrepreneurs—better educated and more experienced than ever—is heralding a promising trend in business development.



ILLUSTRATION: MICHAEL ROOK

coming out being entrepreneurial early."

To be sure, when it comes to minority economic development, problems remain. But attempts to foster minority entrepreneurship in recent decades appear to be paying off in an increase of viable minority-owned firms. And the breakthroughs being made in minority-business development could lead to solutions for breaking the cycles of poverty that so deeply affect minority communities.

Observers point to these signs of progress for minority businesses:

There are more of them than ever. Just how many more won't be known until later this fall when the Census Bureau releases figures on minority firms from a 1992 survey. The latest figures available—reflecting sole proprietorships, partnerships, and Subchapter S corporations but not regular C corporations, which typically include the largest businesses—are drawn from the Census Bureau's 1987 Survey of Minority-Owned Business Enterprises. According to that survey, the 1980s showed extraordinary increases in the number of minority-owned firms. While the number of all businesses grew 14 percent from 1982 to 1987, minority businesses increased 66 percent, to more than 1.2 million.

Leaders of the pack were Asian-American/Pacific Islander businesses, which increased 89.3 percent, to 355,300 companies, and Hispanic firms, which grew 80.5 percent, to 422,400 companies. The number of black firms reached 424,200 in 1987, and American Indian/Native Alaskan businesses totaled 21,400.

Substantial growth of minority businesses was expected to continue into the 1990s, and today, for example, *Hispanic Business* magazine estimates that Hispanic businesses number 585,000.

Minority businesses are growing. As an example, when *Black Enterprise* magazine published its first list of the top 100 black-owned industrial businesses in 1973, annual sales for those companies totaled $473 million. This year its list of the top 100 industrial and service companies, based on 1994 sales, tops $6.7 billion. A separate list of the top 100 automobile dealerships—which are not included in the first list—added $4.9 billion to the sales figures for black-owned companies.

Minority entrepreneurs are increasingly well-prepared to run businesses. Robert L. Johnson had 26 years of experience at Sears, Roebuck and Co. and had become Sears' first black vice president when he and his daughter Rhonda Johnson co-founded the Johnson Bryce firm. Rhonda Johnson had already earned a degree in economics from Wellesley College and had worked as a revenue analyst at New England Telephone Co.

Both Mike and Ron Roybal have master's degrees in architecture, and Ron earned an additional advanced degree in city and regional planning. Both worked for other architectural firms before they founded their own company.

Before he started T.A. Lewis & Associates, Tim Lewis earned a degree in electrical engineering and worked a dozen years at other companies, gaining solid experience in engineering and planning, and sales and marketing.

The Roybals, Lewis, and Rhonda Johnson, all in their 30s and 40s, are part of a great wave of minorities who swept into colleges and universities in the past several decades, gained experience, and began to form their own companies.

College enrollments of African-Americans nearly quadrupled in less than one generation—from 300,000 in 1965 to 1,107,000 in 1980—says Timothy Bates, professor of labor and urban affairs at Wayne State University, in Detroit. Whereas education was the popular major among blacks in 1965, he says, business had become the most popular field of study among graduating black males by the mid-1970s.

Most entrepreneurs launch substantive businesses while in their late 30s or their 40s, after having gained 15 or 20 years of experience, says Bates. "Thus, the full impact of the educational gains of the late 1960s and 1970s is reflected in the number and the nature of the business formations undertaken by African-Americans in the late 1980s and 1990s."

Well-established companies are buying from minority businesses as never before. Corporations that are



The rise in the amount of purchases from minority suppliers by corporations that are members of the National Minority Supplier Development Council is one indication of minority-business growth. NMSDC was launched in 1972 and has 3,500 member corporations, which buy from 15,000 minority-owned firms.

CHART: MICHAEL ROOK

SOURCE: NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL

members of the National Minority Supplier Development Council now purchase more than $23 billion in goods and services annually from minority firms—compared with $86 million in 1972, when the council was chartered.

Other companies are forming effective alliances with minority businesses. When PepsiCo, Inc., sent a message to its divisions that it wanted to strengthen its efforts in minority-business development, Frito-Lay, Inc., its snack unit, decided to find a way to increase minority purchasing in the areas where it spent the most money, such as corn, potatoes, seasonings, and packaging. When the company could not find a minority supplier in the area of packaging, it decided to help create one.

Bob Johnson was with Sears when Frito-Lay urged him to accept an invitation from Bagcraft Corporation of America, a white-owned company in Chicago, to buy a controlling interest in its Atlanta flexible-packaging manufacturing plant, a Frito-Lay supplier. Johnson purchased 51 percent and recruited Rhonda to join the resulting firm, Bagcraft-Atlanta, Inc., and learn the business.

When Frito-Lay needed a newer packaging technology, however, the partnership with Bagcraft was dissolved, and in 1991, at Frito-Lay's suggestion, the Johnsons formed a joint venture with Thomas J. Bryce of the Bryce Corp. The Bryce firm, a white-owned flexible-packaging company in Memphis, had the technology Frito-Lay needed.

The Johnson family owns 51 percent of Johnson Bryce, which is located near the Bryce facilities and purchases some services, including technical and engineering support, from Bryce. While Frito-Lay did not finance the new venture, it did commit to being Johnson Bryce's first customer. Johnson Bryce has since added Procter & Gamble to its client list.

"It's such a win-win type of situation," says Bob Johnson, who now works with Johnson Bryce full time. "[Frito-Lay] gets the same product at the same cost as they would get anyplace else." In addition, he says, Frito-Lay gets the satisfaction of knowing it has assisted in minority-business development, the banks benefit from a good loan, and the Bryce Corp. participates in a profitable business. And Johnson and his family "get the opportunity to participate in this very vital, central part of America."

Among other alliances are those fostered by the U.S. Department of Defense through its Pilot Mentor-Protégé Program, established four years ago. For example, Booz, Allen & Hamilton, Inc., an international management and technology consulting firm, is linking up with Unisource Systems, Inc., an African-American telecommunications consulting firm in Chicago.

Unisource is able to learn from the giant firm, and both companies gain the ability to bid together on contracts; sometimes Booz Allen is the prime contractor and uses Unisource as a subcontractor, and other times Unisource is the prime contractor and subcontracts to Booz Allen. "The ultimate benefit is when you can get revenue through the door, and I think it's a benefit to both of us in that particular area," says Sheila Talton, Unisource's president.



Business development *can help preserve Indian culture, says JoAnn Chase of the National Congress of American Indians, here with Charles W. Blackwell, Chickasaw Nation ambassador to the U.S.*

Minority businesses and their marketing techniques have become more sophisticated. As recently as the early 1960s, according to Bates of Wayne State, minority business owners struggled to make a living in small-scale retailing and personal services, such as food stores, beauty parlors, barber shops, laundries, and restaurants. But now more and more minority entrepreneurs are starting ventures in what Bates calls "emerging lines" of business—in industries where minority ownership has historically been minimal.

Minority entrepreneurs are also targeting larger markets, increasing their chances of success. "The very largest of the black-owned businesses today compete in the open marketplace. They do not typically target a minority clientele," says Bates.

Minority entrepreneurs are beginning to emerge as bigger players. Among African-Americans, for example, perhaps only two business owners would have had widespread name recognition 25 years ago—John H. Johnson of Johnson Publishing Co., the founder of *Ebony* magazine, and Berry Gordy of Motown, the recording company.

Today, there are many who have won widespread reputations and increasing clout nationally and locally. Among them are Robert L. Johnson (no relation to Johnson Bryce's Bob Johnson) of BET Holdings, in Washington, D.C., a public company listed on the New York Stock Exchange and parent company of Black Entertainment Television; Earl G. Graves, the founder of *Black Enterprise*, in New

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Where To Go, What To Read

Resources abound to encourage the development of minority-owned businesses. Here are some of them:

Organizations

■ National Black Chamber of Commerce, Inc., 2000 L Street, N.W., Suite 200, Washington, D.C. 20036; (202) 416-1622.

■ National Indian Business Association, 1605 Carlisle, N.E., Suite A1, Albuquerque, N.M. 87110; (505) 256-0589.

■ National Minority Supplier Development Council, 15 W. 39th St., New York, N.Y. 10018; (212) 944-2430.

■ U.S. Hispanic Chamber of Commerce, 1030 15th St., N.W., Suite 206, Washington, D.C. 20005; (202) 842-1212.

■ U.S. Pan Asian American Chamber of Commerce, 1329 18th St., N.W., Washington, D.C. 20036; (202) 296-5221.

University Programs

Check local colleges and universities. Some offer free or low-cost business consulting. Examples include the Minority Business Consulting Program at Duke University's Fuqua School of Business, in Durham, N.C., and the Urban Business Assistance Corp. at New York University's Stern School of Business, in New York City.

Others, such as Kennesaw State College, in Marietta, Ga., and Dartmouth College, in Hanover, N.H., offer management-education programs for minorities.

Books

These books are readily available through bookstores unless otherwise indicated:

The Black Entrepreneur's Guide To Success, by Melvin J. Gravely II ($18), *Black Wealth Through Black Entrepreneurship*, by Robert L. Wallace (paperback, $17.95), and *Beyond The Timberline: The Trials and Triumphs of a Black Entrepreneur*, by T.M. Alexander ($17.95), the autobiography of an Atlanta insurance-business founder and social activist, are all from Duncan & Duncan, Inc., a black-owned publishing firm in Edgewood, Md. To order, call (410) 538-5580.

Think and Grow Rich: A Black Choice, by Dennis Kimbro and Napoleon Hill (Fawcett Crest paperback, $5.99). Cultivating attitudes that lead to success.

Why Should White Guys Have All the Fun? by Reginald F. Lewis and Blair S. Walker (John Wiley & Sons, $22.95). The autobiography of the late Reginald F. Lewis, who was chairman of TLC Beatrice International Holdings, Inc.

Success Runs In Our Race, by George Fraser (William Morrow & Co., $25). A guide to networking in the African-American community.



Publications

Minority Business News, TexCorp Communications, Inc., 11333 North Central Expressway, Suite 201, Dallas, Texas 75243; (214) 606-3986. Monthly; $18 a year.

Black Enterprise, 130 Fifth Ave., New York, N.Y. 10011. Monthly; $19.95 a year. To subscribe, call 1-800-727-7777.

Hispanic Business, 360 S. Hope Ave., Suite 300C, Santa Barbara, Calif. 93105. Monthly; $18 a year. To subscribe, call 1-800-334-8152.

Government Agencies

■ The Minority Business Development Agency, U.S. Department of Commerce, 14th St. and Constitution Ave., Washington, D.C. 20230; (202) 482-4547. The agency has 10 regional and district offices.

■ The U.S. Small Business Administration. Check the blue pages of your telephone directory for the office nearest you.

York, and chief executive of Pepsi Cola of Washington; and entertainers such as Oprah Winfrey and Bill Cosby.

Perhaps the biggest player of all, however, was Reginald F. Lewis, who died of cancer at age 50 nearly three years ago. In 1987, he forged the leveraged buyout of Beatrice International Foods, a conglomerate with 64 companies in 31 countries, for just under $1 billion. Today TLC Beatrice International Holdings, Inc., which is headquartered in New York and did $1.8 billion in sales in 1994, is run by his Philippine-born widow, Loida N. Lewis.

Coupled with minority business owners' increased individual power is their greater sophistication in the use of group power and technology to accomplish economic goals. For example, in the Indian community, comprising more than 550 tribes, "providing a national voice is no small task," says JoAnn K. Chase, a Mandan-Hidatsa Indian who is executive director of the National Congress of American Indians, in Washington, D.C.

She lauds the recent establishment of a national database of Indian-owned businesses, accessible by electronic mail, a project of the National Center for American Indian Enterprise Development. She sees the system and the referral process it provides as a means of channeling business to Indian-owned companies that are on or near reservations. That means "economic benefits are going back into the [Indian] communities," she says. "That's an essential part of maintaining the reservation environments and maintaining our opportunities to exist as sovereign entities and continue our rich culture and rich heritage and our practices as Indian people."

Despite the encouraging trends in minority-business development, significant problems remain. Revenues still fall short of those found in comparable white-owned firms, for example. And, as Rhonda Johnson points out, when you add up the revenues of all 100 of *Black Enterprise* magazine's industrial and service companies, that income still doesn't match the revenue of one Fortune 100 company.

Moreover, there is enormous anxiety in minority-business communities right *now* about the possible dismantling of affirmative action and the detrimental effect that might have on minority enterprises. (See the story on Page 24.)

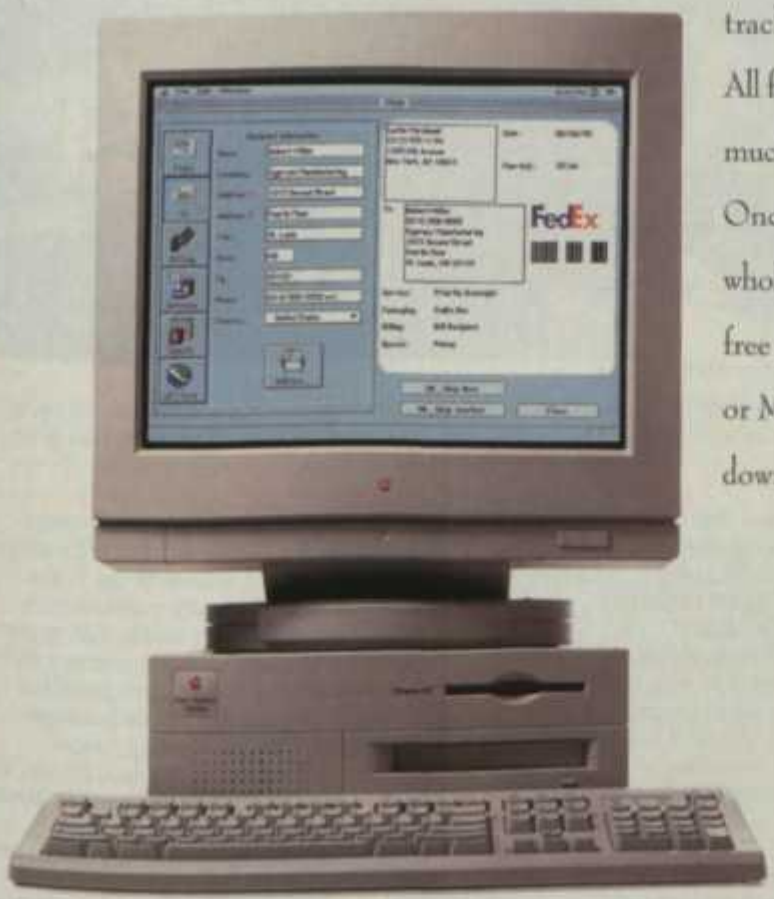
The issue was raised at the highest level in early March, when President Clinton announced that the administration would review all federal affirmative-action programs to see if they work and are fair. When he reported the results of the review July 19, Clinton said the study

Continued on Page 26

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Minority Set-Asides: Change Ahead

In an interview with *Nation's Business* four years ago, Kavelle R. Bajaj said she wanted the business she had founded in 1985 in Bethesda, Md., to become a Fortune 500 company. She's well on her way. Her company, I-NET, a service firm in information technology, has nearly 2,700 employees, up from 450 in 1991, and expects sales this year to exceed $300 million. The company now has offices in England, Colombia, and Singapore.

Not bad for a graduate of the U.S. Small Business Administration's controversial 8(a) set-aside program, whose fate is uncertain. Under the program, the federal government channels contracts through the SBA to "socially and economically disadvantaged" small firms—usually minority-owned companies. A business can be in the program for nine years.

SBA officials emphasize, however, that 8(a) is not a contracts program but a business-development program. Many participants count on it to give them the track record they need to gain commercial opportunities. By the time a firm graduates, at least 80 percent of its business must consist of contracts not obtained under 8(a).

A recent survey conducted by *Hispanic Business* magazine suggests that the program is effective. It found that 30 of the 100 fastest-growing Hispanic-owned businesses in the United States hold 8(a) certification.

An Uncertain Future

However, given the mood of the Republican-controlled Congress to eliminate programs seen as offering preferential treatment to minorities and women, and in light of the recent U.S. Supreme Court ruling in *Adarand Constructors vs. Peña* that federal affirmative-action programs must be narrowly tailored and serve a compelling government interest, many minority business owners fear that the 8(a) program will become history or at least be altered.

Despite President Clinton's strong support of affirmative action, he has stated that changes are needed in some programs.

In the Senate, Majority Leader Bob Dole, R-Kan., has introduced the Equal Opportunity Act of 1995, which would end "racial and gender preferences" in federal contracting. Dole noted that at times he had questioned and opposed group preferences while at other times he had supported them. "But," he said, "many of us who supported these policies never imagined that preferences would become a seemingly permanent fixture in our society. They were designed to be temporary remedies, targeted at specific problems suffered by specific individuals." But the policies have continued to expand, he said, "pitting individual against individual, group against group, American against American."

In the House, Rep. Gary A. Franks, R-Conn., has been pushing an amendment to ban federal set-asides. In promoting his amendment, Franks, an African-American, said: "I do not want someone to put their thumb on the scale in order for [my children] to succeed."

But many minority business owners, whether or not they participate in 8(a), fear that its disbandment would signal a return to the days when minority business owners couldn't even get a hearing when they wanted to bid on a contract.

Minorities are still underrepresented in federal contracting. In 1992, the most recent year for which figures are available, minority-owned firms, which make up 9 percent of the business population, obtained 4.1 percent, or $8.3 billion, of the federal government's $200 billion in contracts, according to the SBA.

Like many minority business owners, I-NET's Bajaj, a former housewife from India, sees the 8(a) program as a "double-edged sword." While it helps them gain a track record, once they're out, business owners say, they experience subtle discrimination by potential clients who may doubt their competence just because they were in the program.

Bajaj doesn't regret having been in 8(a). It gave her an opportunity, she says, "to develop myself as an entrepreneur and a business person who went—literally—from the kitchen to the boardroom." But she found the program ill-equipped to cope with a business that grew as large and as fast as I-NET did. She and other business owners also point out that if companies become too dependent on 8(a) contracts, they don't develop the skills they need to be competitive once they graduate.

Helping Everyone

Contrary to the notion that programs like 8(a) help minorities at the expense of the majority, minority business owners argue that whites actually benefit. Verle B. Hammond, CEO of Innovative Logistics Techniques (INNOLOG), an 8(a) logistics-systems engineering company in McLean, Va., has nearly 220 employees in five states, he says, and "the majority are white males."

The more that minority businesses grow, other business owners point out, the more they are able to purchase goods and services from white-owned companies. All they want, many minority entrepreneurs say, is a chance to get in the door—in their view, affirmative action and 8(a) have helped provide that opportunity in the same way that country clubs and "old-boy networks" have provided opportunities for white male business owners. "It's the same thing," says Rhonda L. Johnson of Johnson Bryce, a black-owned packaging company in Memphis that is not in the 8(a) program.

Once she's inside the door, she says, she's not selling the status of her company as being minority-owned. "What I'm selling is flexible packaging that is high-quality product, that is cost-competitive, that comes with dependable service, that is excellent."



PHOTO: DENNIS BRACK—BLACK STAR

The SBA's 8(a) program *helped her develop as an entrepreneur, says Kavelle Bajaj, of I-NET, a Bethesda, Md., company that expects over $300 million in sales this year.*



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PHOTO: BARRY STAVER

Architects and brothers *Michael, left, and Ronald Roybal have offices in three states. One of their projects is the Castro Elementary School in Denver.*

Continued from Page 22
"concluded that affirmative action remains a useful tool for widening economic and educational opportunity."

However, Clinton added, "we clearly need some reform." Affirmative action, he said, "should be changed now to take care of those things that are wrong, and it should be retired when its job is done." But, he said, "that day has not come."

Meanwhile, Pete Wilson, the Republican governor of California, has made ending affirmative action a core principle of his bid for the GOP presidential nomination. As a member of the board of regents of the University of California at Berkeley, he brought the issue to a head at the state level with a vote by the regents to end special preferences in student admissions decisions. Wilson has vowed to end all state affirmative-action programs in California.

Though he had long supported such programs as a public official, Wilson says his thinking has changed because the programs have evolved into rigid quotas when their original intent was simply to ensure equal opportunity for all Americans.

However, Harriet Michel of the National Minority Supplier Development Council (NMSDC) says that while many corporate members would continue their levels of minority purchasing, others would not if affirmative action was ended. "Public policy often drives private behavior," she says, and without government

You Can Play A Vital Role

No matter what your race or ethnic background or how large or small your business may be, you can play a vital role in fostering the growth of minority business. Here are some things you can do:

All Businesses

Purchase goods and services from minority-owned firms. Even the smallest businesses can do this. "If it's no more than paper and pencils and other related office supplies, they're still buying them somewhere," observes Harriet R. Michel, president of the National Minority Supplier Development Council (NMSDC), a New York City-based organization that promotes corporate purchasing from minority vendors.

Form "strategic alliances." Tim Lewis, president of T.A. Lewis & Associates, Inc., a black-owned telecommunications consulting firm with $1.4 million in annual sales, helped create the Partnership Program, a Birmingham, Ala., Chamber of Commerce initiative that pairs CEOs of large corporations with minority business owners. The aim, says Lewis, is to get the CEO "to know, one-on-one, a minority business." He took part in the program himself and was paired with the chief executive of Alabama Power Co. Lewis learned not only how Alabama Power works but also how its holding company and other subsidiaries in the group operate. As a result of the relationships he developed in the company, Alabama Power is now one of Lewis' clients.

Be a mentor. Offer your services to entrepreneurship-education programs, such as those run in several cities by the American Woman's Economic Development Corp. Or be a volunteer in the U.S. Small Business Administration's SCORE (Service Corps of Retired Executives) program, where you can serve as a consultant to inexperienced entrepreneurs.

Serve on a board or advisory council. You might serve directly on a minority firm's board or participate in organizations, such as business incubators, that foster the development of small firms. Either way, you can share your knowledge and experience to help another firm grow.

White Businesses

Promote minorities and women into positions of influence. Such employees will, in a more natural way, direct your company to purchasing more from minority- and women-owned companies, suggests Ronald Lee Roybal, president of the Roybal Corp., a Hispanic-owned architectural-engineering firm in Denver. If that happens across the board, he says, minority programs such as set-asides will no longer be needed because "opportunities for minority businesses are going to occur from within companies."

Minority Start-Ups

Ultimately, minority-business development depends on the success of individual entrepreneurs. Experienced minority business owners and other experts offer these suggestions for start-up and would-be minority entrepreneurs:

Prepare yourself. "Learn a business," says Robert L. Johnson, co-founder of Johnson Bryce, a black-owned Memphis packaging company. "Nothing is going to help you if you don't have the basic fundamentals for your business or if you really aren't good at your business, because you're going to have to be competitive in service, in price, in every dimension, every measurement."

Enter a new field. The NMSDC's Michel urges would-be entrepreneurs to get into younger industries such as telecommunications and computers, which depend on new ideas and don't have a "whole lot of existing supplier relationships"—meaning, initially, there is less competition. "Those industries are really open to young, fast-moving, fast-paced companies," she says.

Be realistic about money. Nearly all start-up business owners, no matter what their race or gender, complain about the

pressure, some corporations will "just walk away from the table."

Also at the top of the list of concerns is the problem that's always there: lack of access to capital. There appears to be more activity in the works to alleviate financing roadblocks. The NMSDC, for example, has created a $20 million Business Consortium Fund, a working-capital loan program to assist minority members who win contracts but who cannot get the money they need from banks to create the goods and services to fulfill those contracts. And sophisticated minority financiers are beginning to emerge in greater numbers; some of them concentrate on minority-owned businesses.

While some business owners say they are still turned down for bank loans because of their skin color, others suggest that some banks still haven't figured out how to do business with small companies generally, let alone minority firms.

The Small Business Administration, however, claims that as a result of its commitment to increasing the volume of loans to "underserved sectors," SBA-guaranteed loans to minorities were up by almost 60 percent in fiscal 1994 over the previous year. In the same period, SBA-guaranteed loans overall rose 36 percent.

Tim Bates says that for blacks, access to capital is a problem that will be alleviated only gradually over many years. "Commercial banks lend most freely to those who possess significant amounts of equity capital to invest in their businesses."

In addition, he says, the low net worth of black households in general limits funding from family members and friends, which rank second and third as the most important sources of capital.

In spite of the rough spots, it appears likely that today's bright, energetic minority entrepreneurs will use their wits to overcome such difficulties. The opportunities are just too great to let problems stand in the way.

The information superhighway? Minorities are finding a niche in the road and are going along for an exciting ride.

Globalization of the economy? They're recognizing that their differences in color, culture, and language can be assets in doing business overseas.

Corporate downsizing? That presents opportunities, too, enabling them to grab work that corporations with slimmer staffs are farming out. Or, as Tim Lewis, who picked up much-needed talented personnel as other companies shrank, says, "Corporate management's downsizing was T.A. Lewis & Associates' upsizing!"

Ultimately, many minority entrepreneurs feel that what they do is much larger than themselves and that the rewards are much greater than any they might individually reap.

"When we look at minority communities and see the economic deprivation in those communities, it just seems very logical that the way to cure poverty is with money," says Bob Johnson. "And the way to generate that in a community is with business." NB

To order a reprint of this story, see Page 88. For a fax copy, see Page 5.



Aiming *to make his firm outlast himself is Tim Lewis, founder of T.A. Lewis & Associates, a $1.4 million telecommunications consulting firm in Birmingham.*

lack of access to capital. Tim Lewis' story is fairly common. He started his business for less than $10,000, and because banks had turned him down for a loan, that money came from savings, friends, and relatives. "Two or three years after I had been opened and had a track record, guess what?" he says. "The banks came knocking on my door. They said, 'Hey, Tim, we have money!' "

Be creative when looking for clients. Michel recommends looking for businesses that are "outsourcing"—that is, seeking outside companies to take over functions previously done internally. When a company starts farming out work, she says, you won't be competing against existing suppliers. Roybal says he also makes it a point to read *Hispanic Business* magazine and a local Denver Hispanic publication, *La Voz*, to learn about Hispanics who have been promoted to executive positions. He then contacts them as his first point of entry into a company when he's trying to win it as a client.

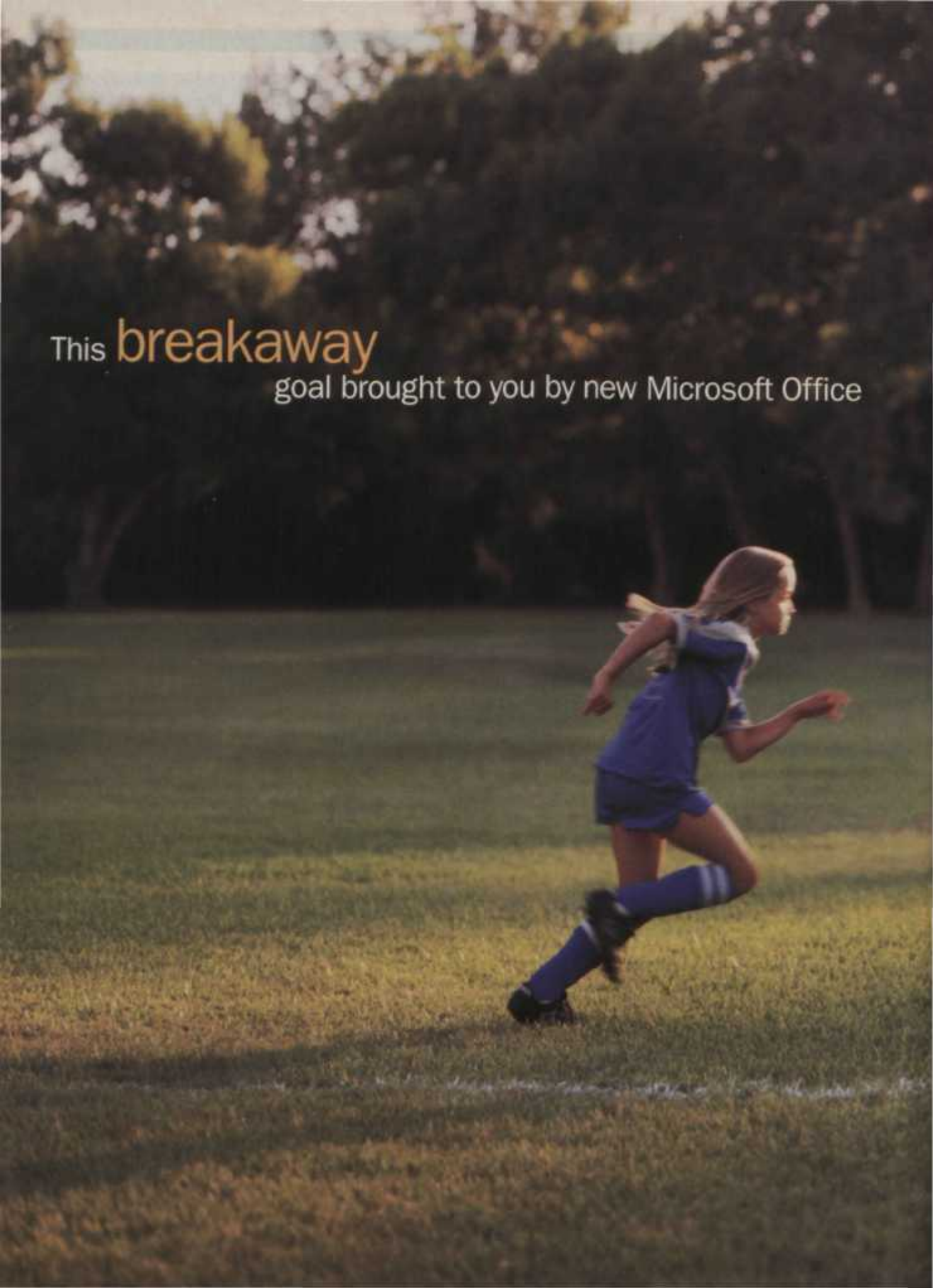
Join a minority purchasing network. If you qualify, NMSDC will certify you as a minority-owned business and help link you with member corporations that might be interested in your products or services.

Increase your visibility so that potential clients know about you. You can enhance your chances of success by joining boards and becoming involved in the larger community, not just the minority community. Roybal says that 10 years ago, he would have had to try "to break the door down" to become active in the majority community's institutions. But now, he says, "it's been easier to get involved than I thought it would be."

Consider joint ventures. Rhonda Johnson of Johnson Bryce says that when you combine your strengths with the complementary strengths of another company, "you can chase larger pieces of business." You can also learn from the expertise of another company.

Aim to make your firm outlast you. Says Tim Lewis: "I'm trying to build an organization that will be around long after me. I want to leave something to my daughter."

Indeed, many business owners and experts have concluded that building organizations that last beyond their founders is key to developing the economic well-being of future generations in minority communities.


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MANAGING

Why The IRS Eyes Executive Pay

Each year, hundreds of corporations—many of them small ones—face scrutiny over the deductibility of top salaries.

By William Ringle

Suppose your company got a letter from the Internal Revenue Service declaring your pay unreasonably high and demanding back taxes for that portion of your salary that the agency says should have been declared as taxable corporate profit. Would you fight? Or would you pay up?

Hundreds of corporations—particularly small ones—face such a dilemma each year. The IRS says it doesn't know exactly how many because it doesn't track that kind of information.

Of course, the IRS has no authority to prevent a corporation from paying its executives whatever it likes. What the IRS is doing in such letters is telling a business how much of the salary it finds reasonable for the purpose of deducting it as a business expense.

Three small corporations faced with such challenges recently decided to fight rather than give in. They took their cases to the U.S. Tax Court, in Washington, D.C., and Judge John Colvin agreed with them. He decided the CEOs involved were worth every penny they were paid.

Their cases are instructive because Colvin's opinions clearly set down the criteria he used to reach his conclusions. (See the box on Page 34.)

But first, why does the IRS get involved in this issue anyway? The agency is ever-watchful for corporations that might try to minimize their corporate income taxes by paying executives what it views as overly generous—tax-deductible—salaries. The IRS refuses to allow corporations to deduct any amount of pay that it regards as "unreasonable" or, in other words, that should have been taxed as corporate income.

The IRS says this kind of scrutiny mostly arises in a small-business context where there is an opportunity for manipulation. Sometimes it looks at executive compensation because the officers receiving the salaries are shareholders. Sometimes a family relationship gets its attention. Sometimes there is the appearance of a gift masquerading as tax-deductible pay.



ILLUSTRATIONS: WILLIAM COULTER

One recent IRS target was Acme Construction Co. Inc. of Cleveland. The IRS said that the $442,150 compensation Acme paid its president, David Horth, in 1990 was unreasonable. In the IRS's view, $108,272 would have been more like it.

Also unreasonable, the IRS declared, was the $643,368 salary that Comtec Systems Inc. of Pompano Beach, Fla., paid in 1988 to Vernon Beard, its founder, president, secretary/treasurer, engineer, and sole stockholder. The IRS calculated Beard's reasonable salary at $243,368.

And the IRS deemed unreasonable the $344,800 and $408,750 that Boca Construction Inc., in Norwalk, Ohio, paid in 1989 and 1990, respectively, to each of its founders, Michael Bockrath and Joseph Caizzo. More appropriate, said the IRS, would have been $137,000 each in 1989 and $141,000 each in 1990.

From Acme, the IRS demanded $122,188 in additional taxes; from Comtec, $172,888; and from Boca, $337,801. These amounts did not include applicable penalties or interest.

After separate trials, the taxpayers scored victories. Judge Colvin's three opinions, all delivered Jan. 9, 1995, broke no new legal ground. But business owners might find them useful because he reached his conclusions by applying 12 major criteria that judges and the IRS consider in calculating whether compensation is reasonable.

Judge Colvin scored each factor—as a referee might do with rounds in a boxing match—saying this one favored the taxpayer, that one favored the IRS (there weren't many of those), or another one was "neutral."

Because the "reasonableness" of compensation depends upon the facts in each case, all the criteria aren't necessarily at issue for every company. And the weight given each factor also may differ from case to case.

Although winning a court battle may satisfy the soul, a lot of corporations decide the game isn't worth the expense. Tax lawyers estimate that it costs $25,000 to $50,000 to take the IRS to court.

Magda Abdo-Gomez, who successfully represented Comtec Systems, says that often after she advises prospective clients of "the fees for CPAs, expert witnesses, and lawyers, plus the distractions and the time executives will need to take from

William Ringle is a free-lance writer in McLean, Va.



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their work, they decide to pay the claimed [tax] deficiency."

Even for a winner, there's no reimbursement for legal fees unless it can be proved that the IRS acted without reason. That's not easy to do, says Abdo-Gomez, a former IRS lawyer. So the prospect of a trial can have a chilling effect on businesses otherwise confident of victory.

But James Brennan of St. Louis, a private-corporation compensation specialist who testified for Boca, says (and he emphasizes he isn't speaking of Boca) that when "the sensible financial decision" might be to cave in, "some shareholder/officers are understandably ego-involved. They feel the government is saying that 'I'm not worth this amount,' that this is a defense of their achievements." So they go to court to battle the IRS.



John Zdanowicz, a professor at Florida International University in Miami and a specialist in concepts of valuing someone's worth, was Comtec's expert witness. He points out that economists distinguish between wages and entrepreneurial profit (compensation for entrepreneurial skills, risks, and efforts). He says the IRS in these three cases failed to make that distinction.

For example, Zdanowicz calculated what Vernon Beard's salary would have been had he been a salaried employee—a senior engineer—at another company. On top of that, Beard was entitled to additional income for his "enormous responsibility, effort, and success" on Comtec Systems' behalf, as Judge Colvin characterized it. Beard's duties as Comtec's CEO "were clearly more demanding than those of a senior engineer," Colvin agreed.

Zdanowicz advises shareholder/employees to keep track of the hours they work. In years when they're building the business and their pay is low, they can regard their many uncompensated hours as a loan to the company, to be paid back when their efforts pay off. This can help justify a level of pay that the IRS might brand as unreasonable.

Besides considering "reasonableness," judges must decide if the pay of a shareholder/employee is "purely for services" and not a dividend (taxable to the corporation) camouflaged as pay (tax-deductible to the corporation). Colvin found the salaries of Horth, Beard, Caizzo, and Bockrath all met this standard, too.

These executive-pay disputes provide examples of how a presumably well-intentioned law can, in the view of some, create a quagmire. The purpose of Section 162(a)(1) of the Internal Revenue Code, the legal basis for the disputes, was to permit the deduction of "a reasonable allowance for salaries." But the efforts to determine what's "reasonable" have resulted in costly distractions for companies.

Section 162 also has forced the IRS to rule on business practices on which, its critics say, it has little firsthand knowledge. And this issue has become a bonanza for lawyers, accountants, and expert witnesses.

A company with 35 or fewer stockholders can avoid ever facing an executive-pay challenge by becoming an S corporation, a type of business organization that is useful for some firms. An S corporation's profits are reported only by the stockholders, who pay personal income tax on them. There's no corporate income tax and thus no federal tax deduction for executives' salaries.

Comtec made the switch to S-corporation status after its run-in with the IRS, says attorney Abdo-Gomez. Why invite lightning to strike twice? NB

To order a reprint of this story, see Page 88. For a fax copy, see Page 5.

12 Ways To Measure 'Reasonable Pay'

Here are 12 criteria that Judge John Colvin cited in his January 1995 decisions on the deductibility of executive compensation at three companies, Acme Construction Co. Inc., Boca Construction Inc., and Comtec Systems Inc.:

Qualifications. Education and experience in the field.

Nature and scope of work. For example, Colvin noted that competitive bidding is "crucial" to about 95 percent of Acme's business and that its president, David Horth, prepared most of the bids.

Size and complexity of business. Boca Construction "competed effectively with 55 to 60 companies, many of which had annual revenues of more than $100 million," Colvin said.

Salaries vs. net income, sales, capital value. Though salaries might equal a large percentage of profit, these can be "catch-up payments" for lean years.

Economic conditions. Boca Construction's success despite declining prices and heavy competition in 1989 and 1990 shows the importance of its founders' skill.

Salaries vs. payments to stockholders. Failure to pay dividends can be a "red flag," suggesting that some of a shareholder/employee's salary is a dividend disguised as tax-deductible salary. But failure to pay dividends also can result from a sharp increase in retained earnings.

Salary policy. "A long-standing, consistently applied compensation plan is evidence that compensation is reasonable," Colvin said.

Financial condition. Corporations grew "very profitable" while the officers at issue were at the helm.

Comparable pay. Expert witnesses can compare pay at other firms.

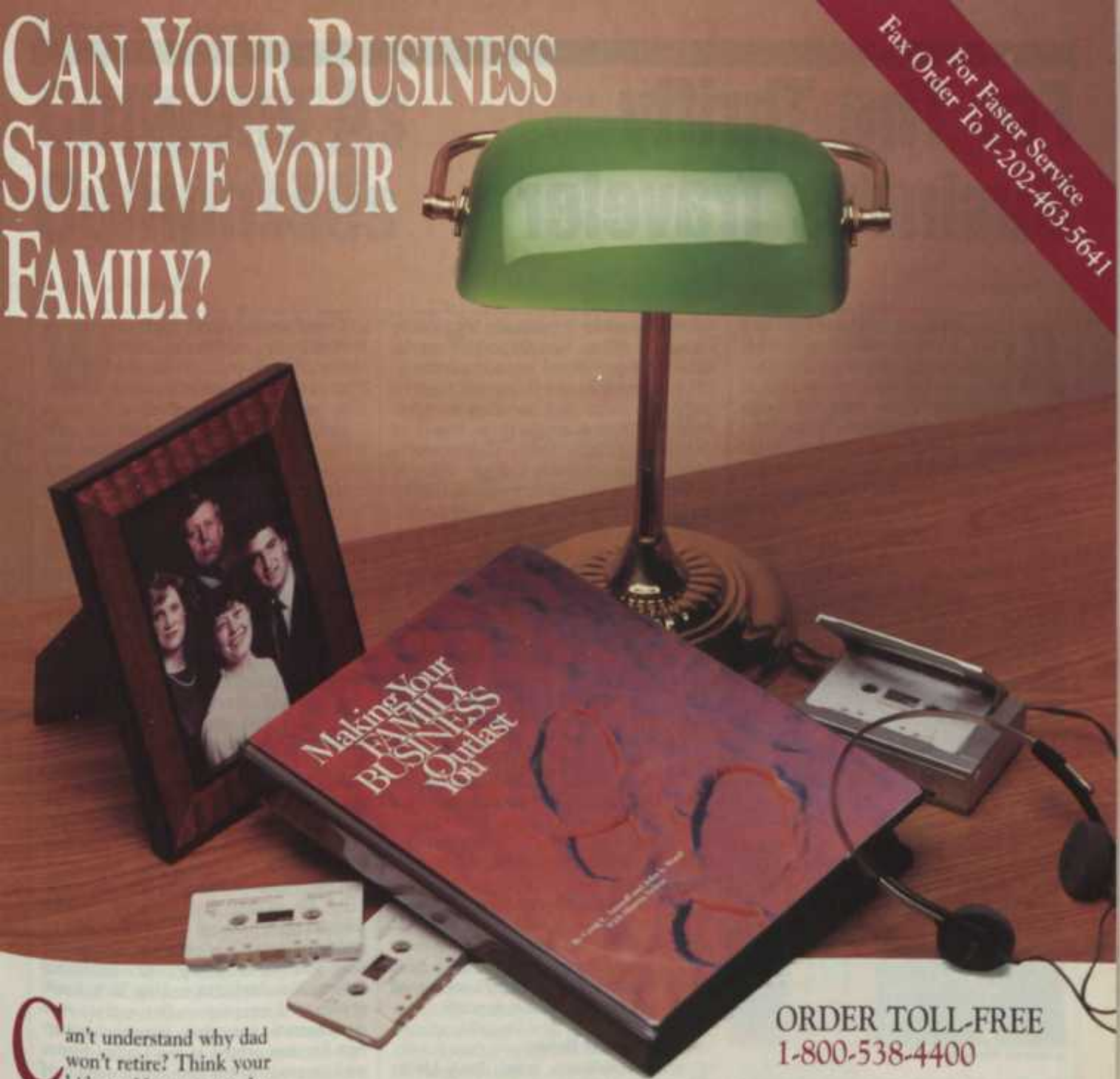
Previous years' pay. A corporation may deduct compensation in one year even though the employee performed the services in a prior year, having deferred compensation "to build its business."

Arm's-length dealings. When an employee controls a corporation, courts "closely scrutinize" that employee's pay. Would an independent investor have approved the pay?

Guaranteed debt. The fact that executives have personally guaranteed their companies' debts is a plus.

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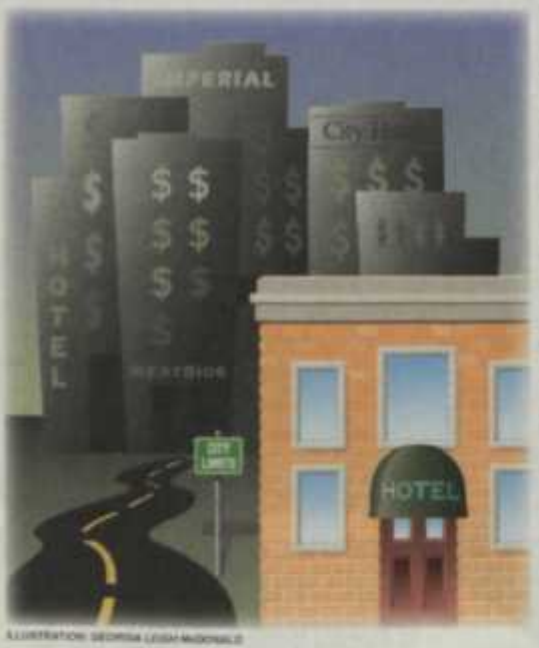
For The Thrifty Business Traveler

Planning and research can help you take advantage of significant discounts when you're on the go.

By Hal Morris

At a trade show, you can easily spot Nora Norby, president of Banner Creations, in Minneapolis. She's the one lunching on a bag of raisins. It's one of the ways she keeps business travel costs down. "On a four-day business trip, I spend under $30 for food," she says. And she saves on taxi fares, too, by walking to destinations within a mile of her hotel. "It's also good exercise," she says.

Budget-stretching business nomads don't always have to resort to such frugality to cut travel costs, however. Norby, like countless experienced travelers, has found that simple planning, researching the best deals, and taking advantage of discounts can cut expenses considerably.



When she is scheduling one of the six to 10 trips she takes each year for her 12-employee company—which makes banners for weddings and other special events—she relies on a knowledgeable travel agent who books airline flights and hotel rooms at reduced rates.

Randy Petersen, editor and publisher of *The Official Frequent Flyer Guidebook* and the monthly *InsideFlyer* magazine, follows the advice he offers in his publications. By using certain credit cards, including those linked to major air carriers, he earns frequent-flier miles when he purchases items such as office supplies. Petersen, whose company is based in Colorado Springs, Colo., also converts monthly long-distance phone bills of $5,000 to $20,000 into as many as 100,000 frequent-flier miles—or four free tickets. "It works for us," he says. "It goes a long way toward helping cut the costs of running a small business—which we are, with 30 employees."

In a typical arrangement, a member of a frequent-flier program earns five frequent-flier miles for every dollar spent on a long-distance carrier's service, taxes not included. Call 1-800-869-9900 for information on AT&T's arrangement with British Airways, Delta, United, and USAir; 1-800-950-5555 for information on MCI's arrangement with American, Continental, Northwest, and Southwest; and 1-800-308-2032 for information on Sprint's arrangement with Alaska Airlines, America West, and TWA.

Following are some other cost-cutting suggestions drawn from the practices of experienced road warriors and travel experts:

Hotels And Motels

Consolidators, which book blocks of rooms at sizable discounts, pass savings on to customers. Services like these offer rates that are 30 to 65 percent lower than the standard amount a traveler would otherwise expect to pay.

Among the larger hotel consolidators are the Hotel Reservations Network, based in Dallas, 1-800-964-6835; RMC Travel Center, in New York, 1-800-782-2674; and Room Exchange, in New York, 1-800-846-7000.

If you call a hotel chain's nationwide reservations number or call a hotel or motel directly, ask for the lowest available rate or any promotional discount. Prices can fluctuate daily, especially in areas with an oversupply of rooms. Automobile-club members get price breaks at thousands of locations.

Use of certain credit cards can provide discounts or rebates at specific hotel chains. Check with your card issuer. Promotions often are announced in materials included with statements.

Consider booking rooms in the suburbs. Lodging away from business districts can save money on room rates, hotel-occupancy taxes, and parking fees. In the Boston area, for example, it costs an average of $128 per day for suburban lodging and three meals, compared with $216 downtown, according to Runzheimer International, a Rochester, Wis., management consulting firm.

Air Fares

You can often fly for less if you select start-ups and other low-fare airlines or if you travel off hours, such as midday Saturday. If, when you make your reservation, you're told that the lowest-priced seats on the flight you want are sold out, book at the lowest-available fare but ask to be wait-listed for the lower rate.

Rental Cars

Collision-damage-waiver coverage, typically $9 to $15 a day, may not be necessary. Coverage is duplicated by about 70 percent of personal auto-insurance policies, according to the Insurance Information Institute, in New York. Some credit-card companies offer extras, such as automatic secondary insurance coverage for cars rented in the United States and coverage of the deductible portion of a driver's primary auto-insurance policy.

Card issuers also may offer rental-rate discounts.

Shopping For Bargains

With transportation and lodging rates changing constantly, it can pay to deal with a travel agent who can comb computers and daily faxes for special discounts and unpublicized bargains.

You also can use your personal computer for comparison shopping and to find routes to the best deals. Through the America Online, CompuServe, and Prodigy on-line systems, for example, you can access Easy Sabre, a computer reservations service operated by AMR Corp., parent of American Airlines. Check for low fares and car-rental and hotel specials. ■

Hal Morris is a free-lance writer in Las Vegas.

MARKETING

Coupons As Compasses

Small-company owners are finding novel ways to get facts and feedback from coupons.

By Janine S. Pouliot

When Maggie Johnson, owner of a children's clothing store in Marquette, Mich., wanted to determine if it would be financially worthwhile to remain a sponsor of a regional children's event, she tried an unusual form of market research. Instead of surveying parents attending the event, she handed them discount coupons.

If enough participants later visited her Jack and Jill store with the coupons, Johnson reasoned, she would know the event was a good way to reach her target market.

"We are a high-quality store, so we normally don't offer discount coupons," Johnson says. But they proved to be an easy and inexpensive way to gauge whether Jack and Jill benefited from participation in the children's recreational event.

Increasingly, small-business owners are finding novel ways to use coupons. Redemption is simply the most direct of a widening variety of ways that coupons help small companies build their businesses. The basic concept of coupon redemption has taken on a '90s sophistication.

A recent study by professors Robert Leone of Ohio State University, Srini Srinivasan of Drexel University, and Francis Mulhern of Northwestern University found that the critical factor in determining the usefulness of coupons is not whether they are redeemed but simply whether they are seen by potential customers.

According to the authors, a person who does not clip or save a coupon may nevertheless add the advertised item to a mental shopping list and later buy the product or service—with or without the coupon.

Even when a coupon is clipped, the consumer often forgets to take it to the store but will make the intended purchase anyway.

While more research remains to be done on the impact of coupons as advertising, one characteristic is clear: Coupons are big business. In 1992, about 310 billion coupons were distributed in the United States. Of these, 7.7 billion were redeemed. Most offered specific discounts in dollars or cents.

One business owner who has seen sales rise even when a distributed coupon wasn't redeemed is Adrian Fredericks of Five Buck Pizza in Provo, Utah. He regularly includes coupons in a locally distributed direct-mail packet. "Our coupon offer doesn't change that much over time," he says. "In many cases, the special becomes so embedded in [consumers'] minds that even if they don't have the coupon, they remember the deal from the past and will call or come in." And Fredericks gladly gives them the deal even without a coupon.



Coupons also can help raise consumer awareness of a company even after the coupon offer has expired. "But building awareness happens over time," says Steven Roth, a manager consultant with EDS Management Consulting Services, a Cambridge, Mass., firm that specializes in coupon-related marketing. "You've got to be patient. If customers aren't aware you're out there, they'll need to see the coupon several times before they'll stop in your store."

Joe Blise, owner of a Mail Boxes Etc. franchise in Green Bay, Wis., says coupons attract potential customers to his store. "I don't make any money on an offer of 4-cent photocopying," he says, but the promotion enables him to show customers the other custom-tailored services he provides. "While they're waiting for the copying, they look around and discover what else we can do," he says. "The nice part is that it gives me a chance to talk to them." Blise was able to turn one 40-cent sale into about $200 in monthly business.

Coupons also provide easy access to valuable and otherwise expensive demographic information. Through local shopper newspapers, or mailings sorted by ZIP code, business owners can segment their markets into specific neighborhoods. "You can find out the characteristics of each community you're targeting," Roth says.

For example, one mailing might go to an upscale population, another to a lower-income locale. By coding coupons to indicate the mailing in which they were distributed and then tracking which coupons are redeemed, a profile of a business's most likely customers can be developed.

"Not only are coupons cheaper than advertising," says Five Buck Pizza's Fredericks, "I can control via ZIP code whom I'm contacting." He says that "newspapers blanket too large a geographic area" for his market, which he can reach more efficiently "with exact ZIP code targeting."

Coupons also allow Fredericks to chart how much of his business comes from repeat customers. "We code the coupons that we stick on top of pizza boxes," he says. "When those are redeemed, we know what percentage of sales are from people coming back in."

Data culled from coupon distributions can offer another way for him to draw up a composite of his best customer.

When clothing-store owner Johnson used coupons to determine the effectiveness of her sponsorship of a children's event, she discovered that her hunch was correct. "A big-enough percentage of people dropped in with the coupon to indicate participation was a good idea," she says. "I'd do it again based on what we learned from the coupon response."

Janine S. Pouliot is a free-lance writer in Green Bay, Wis.

SMALL BUSINESS COMPUTING

Managing While You're Mobile

Advances in wireless communications are turning devices for staying in touch into critical tools for business executives.

By Mark A. Kellner

During a recent business trip on the West Coast, Gregg Brasso, owner of Riverside Technologies, a two-year-old consulting firm in Hingham, Mass., received an urgent request for a price quote. Name your price immediately via fax, a customer told Brasso, and the sale is yours.

He reached into an inside pocket of his sport coat and pulled out a checkbook-size computer that he uses for storing prices and other data. He linked the computer to a portable fax/modem and fired off the requested information. The electronic projectile struck a bull's eye: Brasso made the $5,000 sale.

Thanks to communications technology, "I feel like I'm never out of the office—or out of touch with my customers," says Brasso. Connecting his computer's fax/modem to a regular phone line or to his cellular phone allows Brasso to keep in touch effortlessly regardless of his whereabouts. "It's all about messaging, and this is a great way to do it," he adds.

Clearly, being out of the office no longer necessarily means being out of contact with business associates. Cellular phones and pagers have seen to that. But Brasso is among a new breed of entrepreneurs who use technology not only to stay in touch but also to manage their businesses while on the road.

Powerful hand-held computers such as the Psion Series 3a used by Brasso now can be packed full of enough information to make them increasingly useful for business travelers. Close to 1 million such hand-held computers will be sold this year, according to a survey conducted in May by Dataquest Inc., a leading technology market-research firm in San Jose, Calif. That sales projection is about one-third higher than the number of such devices sold in 1993, the latest year for which figures are available, says Dataquest.

This story is part of a continuing series on managing at the turn of the century.

Power and data-storage capacity weren't the only reasons Brasso chose a hand-held computer. "Because I broke my neck a few years ago, it's difficult for me to carry a notebook or even a 3- or 4-pound subnotebook computer," he says. He can manage his 11-ounce Psion, however.

Priced at about $600, the Psion device comes with 2 megabytes (MB) of random-access memory (RAM)—enough to store approximately 1,250 standard pages of text. It also features the capability of exchanging data via cable with IBM-compatible and Macintosh desktop computers.

ENTERPRISE 2000



PHOTO: RICHARD HOWARD

A hand-held computer *and a cellular phone keep technology consultant Gregg Brasso in touch with customers: "I feel like I'm never out of the office."*

Most portables require a modem and phone line for transmission, but that is changing with the growing use of wireless data-transmission services, which send information via satellite and other digital means.

Scott Shwarts couldn't run his far-flung company under the current management arrangement without the use of wireless technology. A resident of Scottsdale, Ariz., Shwarts is co-owner of Pensée Corp., which develops custom-written software for Apple Computer Inc.'s Newton hand-held computing device. His business partner, David Dunham, is based in Seattle and shares management of the company.

Between them, they use wireless data communications to manage a fluctuating staff of three to five software programmers and coordinate business relationships with a dozen or so people at client companies.

To communicate wirelessly, Shwarts has installed an Ericsson radio modem in his Apple Macintosh PowerBook portable computer. The radio modem allows him to send information over the RAM Mobile Data network through the use of a service called RadioMail.

A four-year-old start-up based in San Mateo, Calif., RadioMail funnels messages from services such as America Online, CompuServe, MCI Mail, and the Internet into RAM Mobile Data or an-

Mark A. Kellner is a free-lance writer in Foster City, Calif.

other wireless data service called ARDIS. These services then transmit the data to wireless modems, which attach to computers as small as a Hewlett-Packard palmtop or as large as a notebook or desktop computer.

Along with specially designed modems, wireless receivers are being built into new hand-held computers. Among the computers getting the receivers are the Marco, an enhanced version of Apple's Newton, which is sold by Motorola Corp., and the MagicLink, which Sony Corp. unveiled earlier this year.

Without RadioMail, Shwarts says, he could not be as flexible—or as responsive—as he is now. "We need to stay in touch with our customers and subcontractors," he says. "Clients pay for responsiveness."

The good news for small-business owners is that the age of wireless communications is just dawning. "We believe that by the end of 1995 and early next year, we will see the emergence of cheap, ubiquitous wireless networks," says Kimball Brown, vice president and principal analyst of Dataquest's mobile-computing program.

These wireless networks, Brown forecasts, will spark even greater interest in hand-held computers because wireless communications will make them much more useful during business travel.

BIS Strategic Decisions, another leading technology-research firm, with offices in Norwell, Mass., and San Jose, counts a half-million wireless-data users today and estimates that the figure will grow to more than 10 million by the turn of the century.

Wireless services such as RAM Mobile Data and ARDIS offer coverage in most major U.S. metropolitan areas. Both services transmit data in small units, called "packets," rather than in the continuous data stream that a regular telephone modem generates.

These packets are ideal for text-based messages and, with RadioMail, also can be turned into faxes for a small additional charge. RadioMail service typically costs $39 to $89 per month, depending on the length and number of messages sent and received.

Alan Reiter, an industry expert who edits the *Mobile Data Report*, a newsletter in Alexandria, Va., says the chief drawback of wireless data services is the high cost of devices. The Marco sells for around $1,300, for example, and separate radio modems for use with hand-held and notebook computers are about $700.

By contrast, new-age pagers capable of receiving text messages of a few words cost only $149 or so, and $200 should be more than enough to buy a device to link your notebook computer's modem with a cellular phone.

Reiter says devices such as the Marco offer a "friendly, easy-to-use operating system, but, indeed, they're the most expensive" of today's wireless devices. He notes, however, that "we're at the very beginning of the manufacturing cycle for these devices, and prices should drop as sales rise."

Joining the fray are companies that will soon offer a new wireless technology called personal communications services, or PCS. These services will operate in a section of the radio spectrum recently auctioned off by the Federal Communications Commission. Companies that bought PCS bandwidths are gearing up for the introduction of two-way devices that will allow users to acknowledge electronic mail automatically, reply from a predetermined list of responses, or send a free-form message using either a connected PC or a palmtop device.

The new devices are expected to cost around $500, with service charges about 20 percent higher than current nationwide paging services but lower than today's cellular-phone rates.

Paging-industry veterans, however, aren't waiting to be broadsided by tomorrow's technology, says Steve Burdette, a marketing executive with MobileMedia Communications Inc., of Ridgefield Park, N.J. "Soon we will offer services that will permit you to receive long text messages [on pagers], which can provide complete, detailed information for you over the air," Burdette says.

"As pager network speeds increase, we can send you very long text messages," Burdette says. "It's not inconceivable that you could receive the entirety of your e-mail on a [pager-type device] and scribble your responses without hooking up to a phone line."

No matter what type of devices and communications technologies business people use for sending and receiving their data and e-mail, the future appears certain. More and more entrepreneurs will join the likes of Gregg Brasso and Scott Shwarts in cutting the ties to their desktops and making the leap to wireless. As Shwarts explains: "If customers can't find you and the answers they need quickly enough, they'll often go elsewhere."

The coming expansion of wireless data, sent via devices that fit in the palm of your hand, could help keep your firm's customers yours. NB



INTERNATIONAL TRADE

A Global Reach For Small Firms

The U.S. Chamber's IBEX network enables your personal computer to be a business prospecting and negotiating tool.

By James Worsham

Small-business owners can now sell their products and services or buy supplies and components anywhere in the world with just a few keystrokes on their personal computers.

It can be done with a system called IBEX—for International Business Exchange—that has just been launched by the U.S. Chamber of Commerce and a consortium of businesses, local and overseas chambers of commerce, and trade associations.

By using IBEX, a business owner, with specially written computer software, can have offers to sell or buy matched up with potential IBEX-equipped customers or vendors at home and abroad. Then, the business person can pick an offer, negotiate, and complete a deal on the IBEX trading network.

"Thanks to IBEX, the benefits of electronic commerce and a global reach are no longer the monopoly of big business," says Mark Van Fleet, IBEX manager for the U.S. Chamber.

IBEX is a serious business tool, not a forum for entertainment, says Mady Jalinous, president and CEO of Global Business Alliance, part of the consortium. "What you do in IBEX is locate and strike deals with viable partners," says Jalinous, who developed the IBEX concept. "It's business, not computer science."

Bruce Valley, president of Globenet, Inc., in Alexandria, Va., which sells spare parts to the U.S. transportation industry, was involved in IBEX test simulations and is enthusiastic: "It has the potential of allowing me to be a General Electric or a Boeing on my computer screen here in my 11-person business."

Here's how IBEX works:

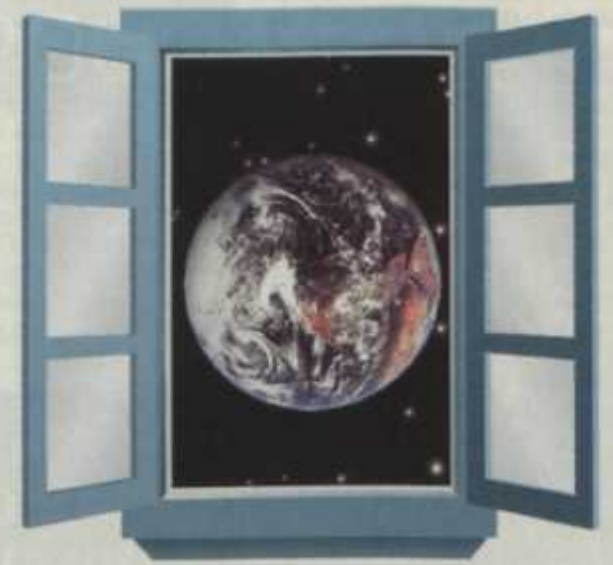
■ Once IBEX is installed in your computer, you enter your offer to buy or sell products or services on prepared electronic forms.

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■ Then, through secure electronic mail, you can make counteroffers, negotiate, or comment on terms of the offer directly with the potential buyer or seller. At this stage, you can even deal with each other anonymously, without releasing company profiles. IBEX will indicate whether the parties are principal buyers and sellers or intermediaries.

■ Once you and the other party agree on terms, you can check out each other's company profiles and use IBEX to tap into Dun & Bradstreet's vast database of company information, and even call references.

■ After the deal is completed, IBEX can help you locate freight forwarders, bankers, accountants, or customs brokers.



IBEX *is expected to open a new window to world commerce.*

The IBEX trading system is being launched as small businesses increasingly turn to the world market for sales and purchases and as they rapidly integrate computers and technology into their operations.

IBEX now has more than 1,000 users in four countries—the United States, Canada, Mexico, and Australia—and can quickly provide a user with two or three top prospects as business partners in more than 100 countries at a fraction of the traditional cost of finding a viable overseas partner, says Van Fleet. IBEX plans to add up to 20 countries by mid-1996 and to have 10,000 subscribers worldwide by next April and 1.5 million in five years.

IBEX is the result of an alliance involving the U.S. Chamber and several businesses, including AT&T Corp., Dun & Bradstreet Information Services, GE Information Services, SHL Systemhouse Inc., and Global Business Alliance, as well as various overseas and local U.S. chambers and trade associations.

While potential users can learn about the system and subscribe to IBEX on the Internet, actual business negotiations are conducted on a more private and more secure electronic-mail network. More than a database or bulletin board, IBEX finds and delivers information and serious business partners in response to the exact needs of the subscriber, Van Fleet says.

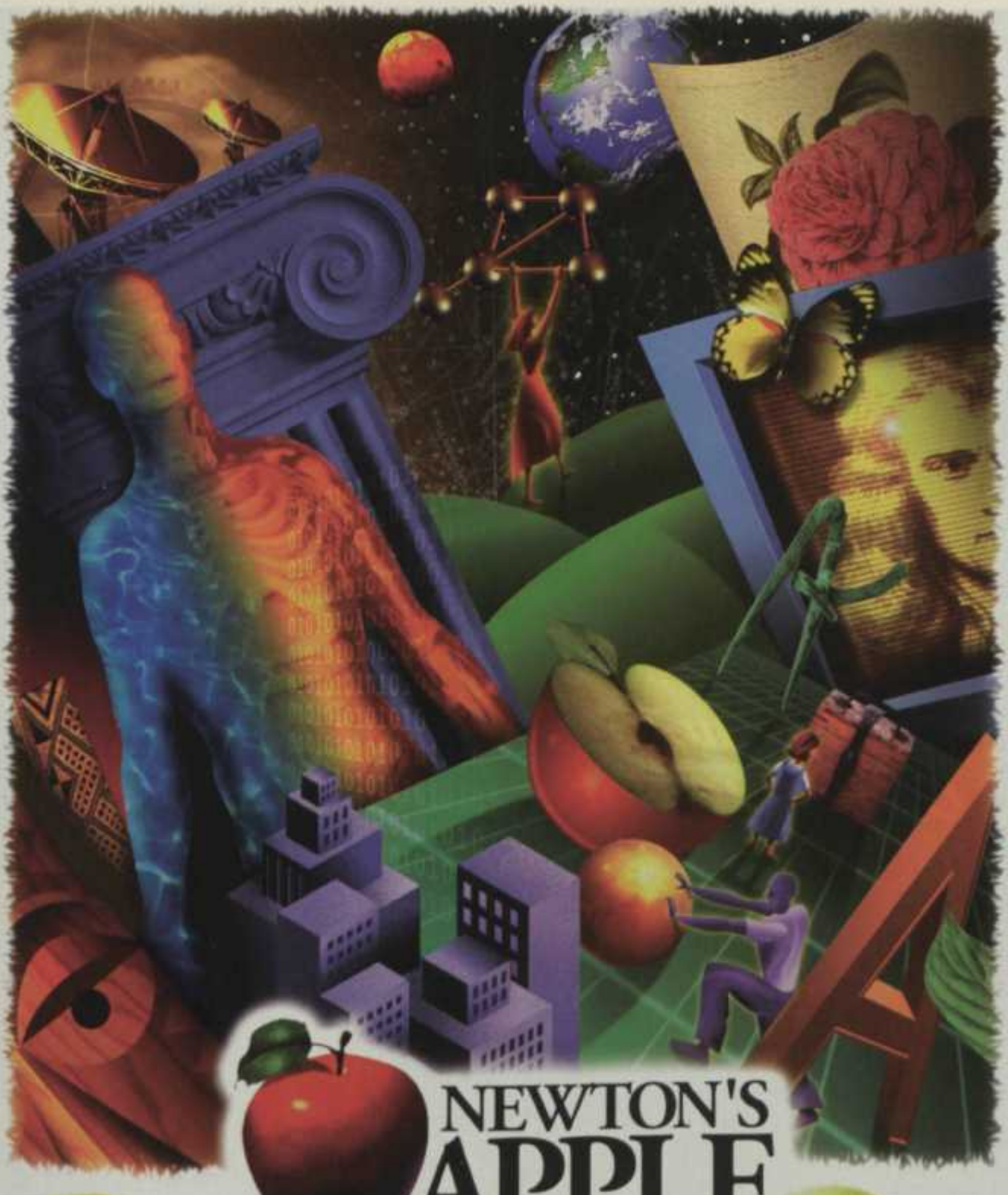
Others familiar with IBEX during its tests are optimistic it can provide foreign and domestic marketing clout for small firms.

Joan Gosciminski, general manager of Rhode Island freight-forwarding operations for the J.F. Moran Co. Inc. of Smithfield, R.I., says she is "excited about the possibilities" of IBEX and is considering offering her company's services as a customs broker and international freight forwarder on the IBEX system.

Debbi Barlament, membership and marketing coordinator for the Green Bay (Wis.) Area Chamber of Commerce, says her members will save time and money in finding qualified buyers or sellers. She adds: "It's a wonderful way to find new business partners and sell or buy products or find investors."

Further Details

Subscribers will need an IBM-compatible, Windows-capable personal computer with a modem. One-time software and registration is $250. Users pay by function, not by minute, at $2 to $10. Monthly charges will vary, but active users should expect to pay $50 to $100. To sign up or to find out more, call 1-800-537-IBEX (1-800-537-4239). In the Washington, D.C., area, call (202) 463-5965. NB



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SPECIAL REPORT

The 1996 Trucks

By Julie Candler



An optional sliding door *on the driver's side of the Dodge Caravan makes loading easier. The manufacturer promises a quieter, smoother, more car-like ride.*

Competition is sizzling among truck manufacturers, as they gear up to outdo one another with models that meet the needs of business customers—including small companies.

Manufacturers are eager to cash in on trucks' growing popularity. For 1995, trucks are expected to make up 43 percent of all vehicle sales—cars and trucks combined—up from 42 percent in 1994. By the turn of the century, half of all vehicles sold in the United States will be trucks, according to Roy Roberts, general manager of GMC Truck. He forecasts record sales of 6.5 million light, medium, and heavy-duty trucks for the 1995 calendar year and sales of almost 6.7 million trucks in 1996.

Sport-utility vehicles again are leading the way up the sales charts. An estimated 1.6 million will be sold in 1995, and sales are expected to reach 2 million by 2000. Moreover, some manufacturers that have yet to enter the sport-utility market are expected to join the pack. Watch for Acura, BMW, Infiniti, Lexus, Lincoln-Mercury, and Mercedes-Benz to introduce sport-utilities in the next year or so.

Sales of pickups this year are expected to match or even exceed the level of almost 2.9 million reached in 1994.

Price rises for 1996 light trucks—which include pickups, vans, and sport-utilities—are expected to be minimal, says Jesse Snyder, president of Snyder Research, in Moorpark, Calif.

The market for medium-sized trucks seems to fluctuate with the general economy, according to Frank Prezelski, director of research at Ladenburg, Thalmann & Co., Inc., a New York investment banking firm. Sales have been down an estimated 10 to 15 percent in 1995 after rising to 167,191 in 1994 from 145,040 in 1993.

For the biggest trucks—those in the Class 8 weight category—"the needles are all pointing in the wrong direction," says James L. Hebe, president and CEO of Freightliner Corp. Because of a tapering off of the economy, according to some industry experts, sales are expected to decline 10 to 15 percent in 1996 from the 191,500 level that has been forecast for the 1995 model year; heavy-truck sales last year reached 185,696.

Prezelski expects prices to remain stable and delivery delays to drop to three to six months from the approximately 12 months that became common this year.

More-powerful engines will be offered for many medium and heavy-duty trucks in 1996. Features such as turbocharging and computer-controlled fuel injection are helping manufacturers respond to demand for more pulling power (torque) and better fuel economy. Caterpillar is introducing King of the Hills, the 3406E with 550 horsepower, the highest on the market. A new Cummins N14-Plus engine develops 525 horsepower and posts 2 to 3 percent better fuel economy than current-production N14s.

Truck manufacturers continue to accommodate users of alternative fuels. Chevrolet, GMC, and Isuzu have announced that their U.S.-assembled Class 3 low-cab-forward trucks—the Chevrolet Tiltmaster W4, the W4 GMC Forward, and the Isuzu NPR-EFI—will come with an eight-cylinder, 5.7-liter gasoline engine that can run on compressed natural gas or liquid propane gas if equipped with a conversion kit and a special fuel tank.

Here's more of what's new for 1996:

Light-Duty Trucks

Light-duty trucks include Class 1, up to 6,000 pounds gross vehicle weight (GVW); Class 2, 6,001 to 10,000 pounds; and Class 3, 10,001 to 14,000 pounds.

Chevrolet

Chevrolet introduces an all-new, full-sized commercial Chevy Van, as well as a Chevy Express van that can seat up to 15 passengers in extended models. The new vans are nearly identical to the GMC Savana models (see below).

Side access panels are added to the extended-cab versions of the full-size Chevrolet C/K and compact S-series pickups—on the passenger's side for the full-size and on the driver's side for the compact. After opening the front door, the driver can activate a release to

swing open the side access panel to admit passengers or cargo.

The access panels also appear on GMC's full-size Sierra and compact Sonoma extended-cab pickups, which are cousins to the Chevrolet models.

The all-new 1996 Geo Tracker mini-hardtop sport-utility becomes a four-door, while the convertible model remains a two-door. All models are upgraded with a 95-horsepower engine that increases trailer-towing capacity to 1,500 pounds.

In 1995, Chevrolet added the Tahoe, a full-size sport-utility with two or four doors—a shortened version of the Suburban.

Dodge

The ride is quieter and smoother for the 1996 Dodge Caravan and its relatives, the Plymouth Voyager and the Chrysler Town and Country. The all-new minivans were launched in early 1995 with even more car-like handling than their successful predecessors. Among their industry firsts: an optional sliding door on the left side (in addition to the standard one on the right side) and retractable wheels on rear bench seats to ease the seats' removal.

The minivans are powered by an all-new, 150-horsepower, 2.4-liter, 16-valve, four-cylinder engine. Three optional V-6 versions are available.

Ford

A Star Trek-styled Triton prototype pickup that was displayed at 1995 auto shows is a clue to the new full-size Ford F-150 that will be introduced in early 1996. A third door, on the passenger's side, to provide access for passengers or cargo will be standard on F-series models.

Ford this year redesigned the Explorer. The full-size sport-utility comes in two- and four-door versions and has new front-end styling, dual air bags, upgraded suspension, and standard four-wheel anti-lock braking with four-wheel disc brakes. In May, Ford announced that the two-wheel-drive XLT model will be available with an optional 5.0-liter, V-8 engine.

GMC

The GMC Yukon sport-utility, a close relative of the Chevrolet Tahoe (see above), is available in two- or four-wheel drive and with two doors or four.

The GMC Savana, an all-new, full-size cargo and cutaway van, has the largest cargo capacity in the industry, General Motors says, up to 316 cubic feet, and the widest rear-door opening, at 58 inches. For side access, buyers can choose between a large sliding door or a pair of hinged doors. The Savana is to arrive in early 1996 with dual air bags and a choice of a V-6 or V-8 Vortec gasoline engine or a 6.5-liter turbodiesel.

The Savana cargo van, along with the Chevy Van, will be available with wheelbases of 135 or 155 inches and GVW ratings of 6,100 to 9,500 pounds. GMC plans to begin with dual production of both the Savana and its predecessor, the Vandura.

Also new at GMC: The full-size Sierra pickup and the compact Sonoma pickup are similar to the Chevrolet models.

Honda

The big change in the 1995½ Honda Passport sport-utility is the addition of dual air bags. The instrument panel has been repositioned and redesigned, with controls for lights and windshield wipers attached to the steering column for easy access.

Hummer

AM General's Hummer is a commercial version of the Army's HMMWV, which was a hero in the Gulf War. In January, Hummer got an optional 5.7-liter, V-8 gasoline engine. A 6.5-liter, V-8 diesel remains standard.

Isuzu

The Isuzu Oasis, similar to Honda's Odyssey minivan, offers car-like handling, seating for six or seven passengers, and dual air bags. The middle seat is removable, and the rear seat folds flat to increase cargo space.

Isuzu's new compact Hombre pickup is a collaboration with General Motors. The vehicle, based on Chevrolet's S-series pickup and the GMC Sonoma, is restyled front and rear by Isuzu for production in Brazil.

Both the Hombre and the Oasis are powered by a 2.2-liter, four-cylinder engine. Automatic transmission is standard on the minivan; the pickup has a five-speed manual.

Isuzu dropped its two-door Amigo, but it continues two other sport-utility models: the Rodeo and the larger, more luxurious Trooper. The four-door Rodeo, a twin to Honda's Passport, has added dual air bags and interior



Ford Explorer: *New front-end styling, dual air bags.*



Suzuki Sidekick Sport: *Sporty exterior, anti-lock brakes.*



Oldsmobile Bravada: *SmartTrak all-wheel drive, 4.3-liter V-6.*



Kia Sportage: *South Korean sport-utility, 139 horsepower.*



Honda Passport: *Dual air bags added, redesigned dashboard.*



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America's Truck Stop

The New Dodge
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upgrades for its 1995½ models. The Trooper has added dual air bags and other upgrades.

Jeep

An even grander Jeep Grand Cherokee four-door sport-utility arrives as a 1996 model, with dual air bags, a standard 4.0-liter, six-cylinder engine and an optional 5.2-liter V-8. A new Quadra-Trac all-wheel-drive system can supply power on demand to the front or rear axle for traction.

Kia

Kia Motors, a South Korean manufacturer, began marketing in the United States in 1993. A four-wheel-drive version of the new four-door Sportage sport-utility is powered by a 2.0-liter, 16-valve engine, with 139 horsepower.

Mazda

A new seven-passenger minivan, the 1996 MPV, goes on sale in late 1995 with a driver's-side sliding back door for passenger access in addition to the one on the passenger's side. The new instrument panel features dual air bags. A three-passenger second seat on two models makes room for eight passengers. The third seat is easy to remove for improved cargo flexibility.

The B-series compact pickups have standard driver's-side and optional passenger's-side air bags.

Mercury

The Villager minivan is restyled, front and rear, for 1996. It adds a passenger's-side air bag and substitutes a manual belt for the motorized passive safety belt on the front passenger's side.

Mitsubishi

To improve ride and handling and to permit body versatility, the manufacturer has increased frame strength by 22 percent and width by 2 inches on its two Class 3 FE straight trucks. The vehicles are available as cutaways, which means they can be outfitted as, for example, tow trucks, garbage trucks, emergency vehicles, or chemical-tank carriers. GVW ratings are 11,600 and 13,500 pounds.

Nissan

Nissan's 1996 models are fitted with driver's-side air bags. The four-door Pathfinder sport-utility has a slick new body for 1996.

The Quest minivan, cousin to Mercury's Villager, adds passenger's-side air bags, an exterior face lift, and a new instrument panel.



Toyota Tacoma: *Sculpted hood and fenders, roomier cab.*



Mazda MPV: *Two doors on driver's side, easy-to-remove third seat.*



Isuzu Oasis: *Removable middle seat, dual air bags.*



Jeep Grand Cherokee: *Quadra-Trac all-wheel drive.*



Range Rover: *A luxuriously sporty new four-door.*

Oldsmobile

The all-new 1996 Bravada four-door sport-utility is loaded with comfort and convenience features. The new five-passenger model is based on Chevy's Blazer. With rear seats folded, it can provide 74.2 cubic feet of interior cargo space, good for salespeople.

The new vehicle gets its superior traction from SmartTrak, a standard, full-time, all-wheel-drive system that is easy to operate. A 190-horsepower, 4.3-liter, L35 V-6 is standard.

Range Rover

Land Rover North America is introducing a sporty new four-door with luxury appointments, the 1996 Range Rover 4.6 HSE. It is expected to be priced at more than $50,000.

Suzuki

This fall, Suzuki launches the Sidekick Sport, a new and more powerful version of the four-door Sidekick, a mini sport-utility. The Sidekick Sport features standard dual air bags and four-wheel anti-lock brakes. It will have a wider track and a new, sporty exterior. The present two-door and four-door Sidekicks are still available.

Toyota

The all-new 1996 Tacoma compact pickup, with deeply sculpted hood and fenders, is available in both regular and extended-cab models with two-wheel and four-wheel drive. The vehicle is built at New United Motor Manufacturing, Inc., a joint venture with General Motors, in Fremont, Calif.

The Tacoma offers a choice of three new high-performance engines, comes with a driver's-side air bag, and has a roomier cab than its Toyota predecessor. Two rear jump seats fold up in its Xtracab models.

Toyota's T100 midsize pickup, with its extended Xtracab, is 21.7 inches longer and offers 21.4 more cubic feet of storage than the regular cab.

Medium And Heavy-Duty Trucks

Following are new trucks and features in Class 4, 14,001 to 16,000 pounds GVW; Class 5, 16,001 to 19,500



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pounds; Class 6, 19,501 to 26,000 pounds; Class 7, 26,001 to 33,000 pounds; and Class 8, more than 33,000 pounds.

Ford

In March, Ford introduced the Louisville line of Class 7 and 8 "vocational" trucks—such as dump trucks, cement mixers, and other short-haul trucks designed for specific tasks rather than for long-distance transport.

The Louisvilles are medium-size conventionals (the power plants are positioned ahead of the windshield) with sloping hoods. They range from a rugged straight truck with a GVW rating of 26,500 to 66,000 pounds to a freight-hauling tractor with a GCWR, or gross combined weight rating (tractor, trailer, and load), of 75,000 to 130,000 pounds. The roomy new cab is 113 inches BBC (bumper to back of cab). The fiberglass-molded tilt front end has in-hood access doors. Some servicing can be done without tilting the entire hood.

The Louisville offers 115 engine choices, ranging from a 210-horsepower medium-range Ford diesel to a 500-horsepower Cummins.

Ford in June introduced its all-new line-haul tractor, the dashing Class 8 Ford Aeromax 9500. The model is available in medium and long conventional versions of up to 128,000 pounds GCWR. The 9500 was launched with a 113-inch-BBC cab, and Ford plans to add a 122-inch-BBC cab with a set-back front axle for greater maneuverability late next year.

Freightliner

The first medium-duty Class 5s from Freightliner were introduced last fall as the FL50 and MB50. The trucks are ideal for retail delivery, refrigerated transport, and other specialty applications. The FL50 offers a choice of two diesel engines or the 230-horsepower Magnum 5.9-liter, V-8 gasoline engine from Chrysler. The standard engine is the Cummins B5.9 diesel, delivering 175 horsepower. The MB50 is powered exclusively by a 6.0-liter Mercedes-Benz engine with 170 to 230 horsepower.

The 50-series trucks can work in the GVW range of 18,000 to 20,000 pounds, depending on specifications.

The Class 8 FL112 Business Class Conventional has debuted for regional hauling, intermodal shipping, and construction. It is powered by the Cummins M11 diesel, which reduces the need to shift gears but reaches up to 370 horsepower. GVW ratings are from 40,000 to 46,000 pounds.

Also new is a Class 8 crew cab for use on FLD 120 and FLD 112 series conventionals. It can carry up to five people.



Mack Team Manager: *Holds up to six passengers.*



Isuzu FRR: *A new Class 5 with a 200-horsepower, 7.1-liter diesel.*



Nissan UD1800: *Aerodynamic cab design, advanced technology.*



Mitsubishi FUSO: *High, wide windshield for greater visibility.*



Kenworth T800: *Versatile conventional for short or long hauls.*

GMC

Changes in the GMC Topkick and the Chevrolet Kodiak, GM's medium-duty conventional trucks, include a new lifetime heavy-duty starter. The changes are intended to reduce maintenance and improve reliability.

Isuzu

A new Class 5 truck, the FRR, joins the lineup of Isuzu's commercial vehicles in Classes 3 through 7. The new truck is powered by a 200-horsepower, 7.1-liter turbocharged diesel engine. Its GVWR is 19,500 pounds.

Kenworth

To make the job easier for drivers of its medium-duty T300 conventional trucks, Kenworth Truck Co. is offering a choice of manual or automatic transmissions. A new wiring system called SmartWheel incorporates 11 of the most frequently used controls in the tilt-telescope steering wheel.

A new version of the medium T800 short-haul conventional truck comes with a 112-inch-BBC cab, which Kenworth says weighs less, is more maneuverable, and offers greater versatility than longer cabs. With the new cab, the T800 can be used for on- or off-road purposes, for short or long hauls, as a dump truck, or a flatbed, says Paul Skoog, Kenworth's general marketing manager. It can be used as a day cab or with a sleeper.

Kenworth introduces a 38-inch FlatTop sleeper for its AeroCab, with a bunk that can be lifted up out of the way to make more room for the driver to change clothes.

Kenworth added a sofa bed to two AeroCab sleeper models: the VIT Aerodyne and the FlatTop AeroCab.

Mack

A new Team Manager holds up to six passengers. The Mack Mid-Liner MS300P XL Team Manager is intended for fire-and-rescue as well as utility operations. Mack says it is the only factory-built crew cab available in North America with the improved

visibility of cab-over-engine design.

In February, Mack exhibited its new 74-inch Millennium Sleeper and a smaller 42-inch version. The company says it consulted hundreds of fleet buyers and drivers in designing the Millennium. The 74-inch version has 8 feet of stand-up room.

The new V-MAC II is a PC-compatible hardware and software system that monitors and controls vital engine functions and records data. Working in conjunction with Mack's popular E7 12-liter engine and other E7 engines, the system is designed to cut fuel and operating costs.

Mitsubishi Fuso

Mitsubishi Fuso Truck of America, Inc., introduces an entire line of cab-forward-design diesel trucks in Classes 3 through 7. A new aerodynamically styled cab for Classes 3 through 5 maximizes fuel economy at high speeds. A high, wide windshield and deep-cut door windows make visibility excellent.

Inside, the cab contains passenger-car comforts that include arm supports at side-door windows, cup holders, and larger, back-lit instruments on the dash for easier reading. The engine's oil level can be checked from the driver's seat by pressing a button connected to a sensor in the oil reservoir.

Mitsubishi also added its first Class 4 model, the FE-SP, for use by landscapers, florists, and service providers. The truck is equipped with a new aerodynamic cab and has a GVW of 14,500 pounds. It is powered by a four-cylinder, turbocharged diesel that produces 145 horsepower.

Navistar

Two new cab-overs—the International 9800 SFA (set-forward front axle) and the International 9800 SBA (set-back front axle)—have the comfort of a hooded conventional.

By placing the engine under the floor, Navistar International Transportation Corp. lowered the engine-transmission tunnel barrier that protrudes into the cab. In some cab-overs, the tunnel barrier can be as high as the bottom of the seats. The new arrangement eliminates the tunnel completely or, in some high-horsepower engines, reduces it to less than a 5-inch rise. There's plenty of headroom. An optional driver's seat swivels 180 degrees. Navistar says the new products will revolutionize drivers' perceptions of cab-overs, which accommodate longer trailers.

Navistar has also introduced the International 4700 LPX (Lo-Profile Extra) medium-duty truck chassis with a 30-inch frame height. It's designed for local pickup and delivery, tow service, lawn care, and other applications.



Freightliner FLD 120: *Crew cab carries up to five people.*



Volvo GM: *All of its trucks now bear the Volvo nameplate.*



Peterbilt 379: *A Class 8 with up to 550 horsepower.*



Navistar 9800 Highrise: *Comfort of a hooded conventional.*



Western Star: *Air-ride suspension for improved driver comfort.*

Peterbilt

The Caterpillar 3406E engine, with up to 550 horsepower, is available with the Class 8 Peterbilt 379 conventional.

A new, lighter-weight 362E cab-over has design improvements resulting from customer surveys. The cab now sits 5 inches lower on the chassis and is combined with a new access step system, making exit and entry easier. The cab has a smoother ride and more room, and it's available with 90- and 110-inch-BBC cab/sleeper versions.

UD Trucks

Nissan Diesel America, Inc., unveiled new technologies and an aerodynamic cab design for its 1995 medium-duty UDs. For 1996, there are no changes in the six-truck line, offering GVW ratings of 14,200 pounds up to 30,000 pounds.

Volvo

Since July, all trucks manufactured by Volvo GM Heavy Truck Corp. bear the Volvo nameplate. That includes WHITEGMC trucks, which resulted from Volvo's purchase of White Motor Co. in 1981 and the Volvo-GM joint venture that began in 1987.

In February, Volvo became the first heavy-truck manufacturer to make daytime running lights standard on all Class 8 trucks.

In late fall of 1994, Volvo introduced the Plus 6, a nonsleeper conventional day cab that the truck maker says is the roomiest of the Class 8s.

Western Star

For driver comfort, Western Star offers new seats with adjustable power air lumbar support, front and rear cushion adjustments, and seat-ride and seat-recline adjustability. The 54- and 66-inch sleepers from Western Star can now be ordered with air-ride suspension for extra comfort.



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For questions, call 1-800-262-1626.

The deadline

All applications must be received by October 13, 1995.

THE APPLICATION

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Owner's name and title

Company address

City, State, Zip

Business phone | Business fax

Alternate contact name | Phone

Type of business (i.e., manufacturing, retail, service, etc.)

Brief description of products or services

Number of employees | Year established | Owner's signature

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Use a separate piece of paper. Please do not exceed 500 words. Describe the major challenge(s) that threatened your business. This may include competition, loss of clients, economic downturn, loss of key personnel, lack of qualified workers, natural disaster, product obsolescence, or other factors. Describe the impact this challenge had on your business.

Your Solution And the Results

Use a separate piece of paper. Please do not exceed 500 words. Tell us about your solution(s) by describing the resources you used to overcome your challenge(s). We are looking for insights into the management of your company's resources, including Quality Assurance, Marketing, Human Resources, Community Relations, Financial Management, and Technology. Also, please describe the changes in your company's performance as a result of implementing your solution(s).

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We thank you for taking the time to share your success story with us. Judging will be done by an independent panel of business experts. As you know, the goal of the Blue Chip Enterprise Initiative is to recognize and reward exemplary small businesses. It's also to create an information resource and library of real-world examples to help strengthen America's competitive business edge at home and around the world. Thank you for being a part of that effort.

The Blue Chip Enterprise Initiative is sponsored by Connecticut Mutual Life Insurance Company, the U.S. Chamber of Commerce and *Nation's Business* magazine.

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Nation's Business
The Small Business Adviser

TRAINING

A New Opportunity For Learning

The Small Business Institute plans to make training employees—and owners—simpler and less expensive.

By Michael Barrier

The small manufacturing firm started as a family operation, with husband, wife, and one son. Before long, the business had grown to 60 or 70 employees, but because the owners had not learned all the fundamentals of operating a small company, they had to work day and night to keep ahead of their firm's growth.

As the owners added employees, they provided the workers with on-the-job skill training, but they couldn't train anyone to take on the management responsibilities they themselves were still struggling to master.

"I think that's typical of most small businesses," says Roger Jask, who as a vice president of the U.S. Chamber of Commerce has talked with the owners of that company and of many other small firms. "They grow, they prosper—and then all of a sudden they get to the point where they need to train their employees to make them more effective. And they've never thought about it—they don't know what to train them in and how to train them."

What such businesses need, Jask believes, is a way to catch up on the training that, ideally, they would have done while they were growing.

Jask heads the Chamber's Federation Programs and Services Division, which this fall will begin offering such a training program. Called the Small Business Institute (SBI), it will give small-business owners, managers, and employees an opportunity to educate themselves in seven aspects of operating a small business, at a low cost in time and money.

At the core of the SBI program are 35 books, five under each of these headings:

- Marketing and sales.
- Budget and finance.
- Legal issues.
- Human relations and communications.
- Improved productivity.
- Quality and customer service.
- Supervision, management, and leadership.

Most of the books are designed to be read in less than two hours; one book under each heading is longer and more in-depth.



PHOTO: LISA DiMARCO—BLACK STAR

Employees need programs *that "make them feel good about where they work," says Pennsylvania valve manufacturer Darren Crispin.*

When Brenda Schissler, owner of a Louisville, Ky., company called Staffmasters, heard of the program, her first thought was, "It's finally something for us with small office staffs." For such firms, she says, seminars and the like, however useful they may be, can be too demanding of the staff's time. "When we have two or three people gone at one time," she says, "we just aren't functioning."

Schissler's company provides temporary workers of many kinds through two offices in Louisville; she has 14 permanent employees in those offices, and she needs to add two more. Through the SBI program, members of her staff can be trained "at their own pace," she says. "That was the most exciting thing to me about the program."

She first heard of SBI when Jask met with the Chamber's 100-person Small Business Council last fall to test the idea on the group. Schissler and 13 other council members volunteered to help shape the curriculum.

Says Jask: "We bounced off of them all the subjects" that were covered by the 350 or so books published by Crisp Publications, of Menlo Park, Calif., a leading publisher of training books for business.

"They selected the ones that they felt were the strongest for small businesses," he says. In addition to being clearly and simply written, the Crisp books met another criterion. The members of the Small Business Council had told Jask that they wanted the cost of such materials kept "very affordable—under $20," he says. Most of the SBI books cost $13.95, with the longer book in each category priced at $19.95. All can be purchased individually.

Most members of the council agreed that taking a test after reading each book might motivate their employees to stick with the program—if, like the books themselves, the tests were short and to the point. Accordingly, each book will come with a test that can be filled out and returned to the SBI testing center; passing the test brings with it a certificate of completion from the Cham-

ber and "continuing education units" (CEUs).

The Chamber is already licensed to award CEUs, under the requirements laid down by the Washington-based International Association for Continuing Education and Training. "To give a CEU," explains Christopher Thiel, the Chamber's director of business conferencing, "you must do certain things—there must be a curriculum, it must be organized in terms of time and reading material, there must be a test, the test must be graded."

"You have to be able to offer programs to people that make them feel good about where they work," he says. "It's more than just money; it's more than a dental plan. It's making people feel that they're important in the process, from A to Z. I see this as an excellent opportunity to help with product awareness, to have the people understand about profit margins and how their individual role will affect the whole mission of the company."

Crispin points to his sales manager: "As the company grows, his role is going to change, and he's going to need to know more about finance, more about the general workings of a family business."



The SBI program *can speed up an entrepreneur's development and get employees involved in the business, says Brenda Schissler, a Louisville small-business owner.*

Eventually, Thiel says, he would like to see the SBI program evolve into an equivalent of the program under which automobile mechanics are certified. But the tests will by no means be mandatory for purchasers, Jask points out: "They can just buy the books to use for learning."

For now, "most people use CEUs to show their employers they are staying current in their job," Jask says. An employee who has earned CEUs in a management area, he notes, can be a stronger candidate for promotion.

It's this aspect of the program—the opportunity it offers not only to train employees but also to increase their involvement in the business—that may be the most appealing to some small-business owners.

Almost everyone on his staff will benefit from the SBI program, "even the guys on the floor," says Darren G. Crispin, vice president for operations of Crispin Valves, a 90-year-old, family-owned manufacturing company in Berwick, Pa., with about 35 employees.

Crispin—also a member of the Small Business Council—believes that the SBI program offers potentially significant financial benefits to a firm such as his.

"From our corporate standpoint," he says, "it's very important that we have access to a low-cost yet beneficial program that we can offer to our employees. We're in a small industrial town dominated by small businesses, but three or four large businesses drive the wage rate and the necessary skill level in the area. So if I need to fill a skilled position, we'll bring someone on and teach them what to do.

"To venture out and to find someone that automatically fits that position, I have to pay the same rate that the large company does and also offer the same benefit package, and I can't do that."

That applies not just to jobs like that of a machinist, he says, but also to office jobs of the kind that the SBI program will most directly impact. Larger firms also draw skilled office workers away from small firms. Crispin thus looks at the SBI program as one way "to level the playing field."

Although the program may have its greatest impact in the training of employees, many business owners—especially the owners of very small businesses—stand to benefit, too.

For example, Tom Ethen, executive director of the Pacific Automotive Trade Association, in Portland, Ore., thinks that the SBI program is right on target for the 460 auto-related businesses—primarily independent repair shops with fewer than 10 employees—that make up his association's membership.

He has been "looking for a way to get basic information to them about how to run a business," he says, and he believes the books available through the SBI program can fill that need. "I was going to have to invent that wheel," he says, "but now I don't have to."

The owners of somewhat larger businesses may need less training themselves—Crispin has a bachelor's degree in business, for example—but even they may benefit from the SBI materials, especially since the books do not require much reading time.

"Time is what we don't have," Staffmasters' Schissler says. "But when I sit at a stoplight, I can read until the car behind me honks."

For the Chamber, Jask says, the SBI program is one more step in his division's expanding training and education effort. "We've been offering a lot of satellite-seminar and video-based programs," he notes. "This is another vehicle for transferring knowledge."

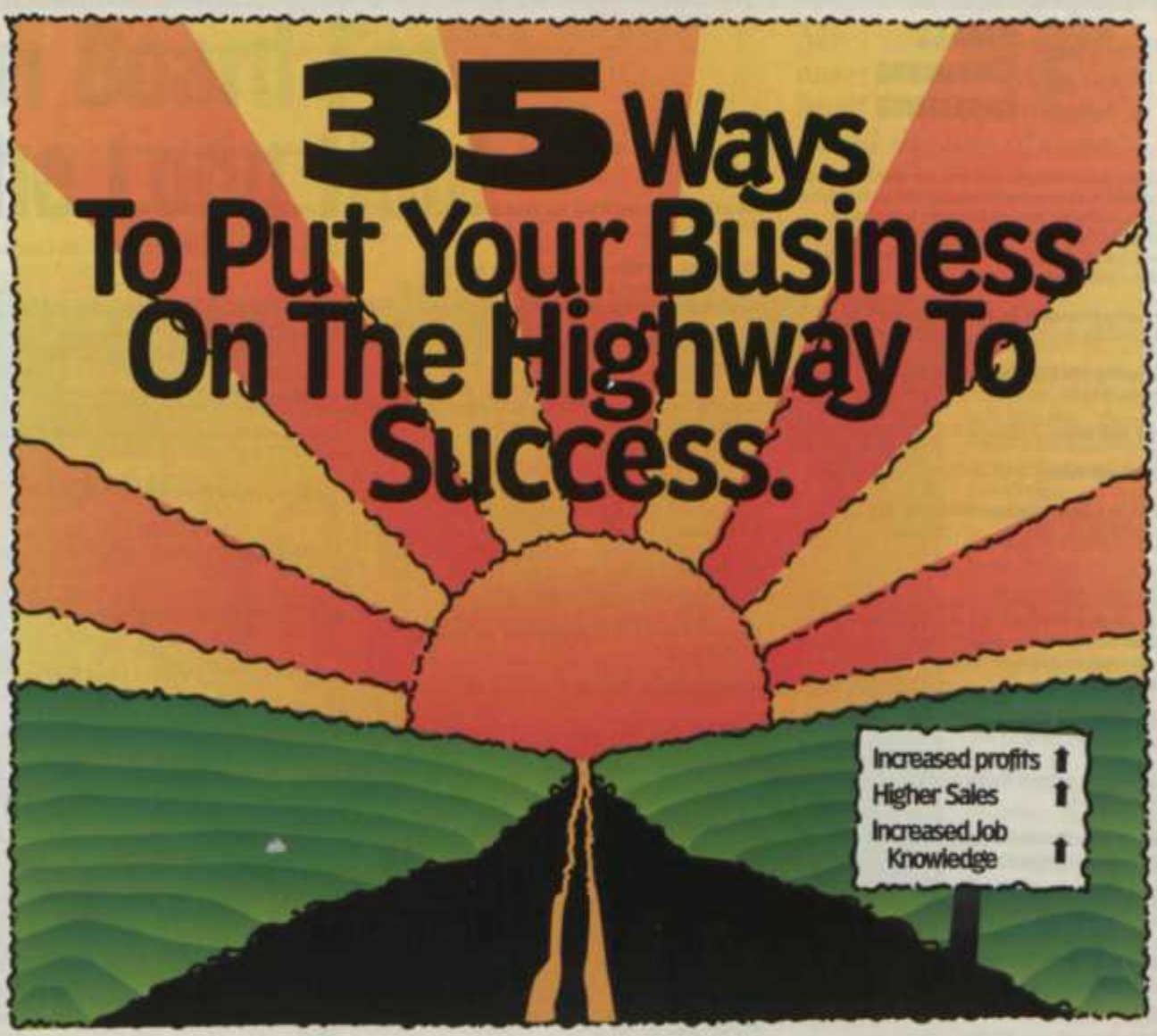
The idea for the Small Business Institute arose, Jask says, when Chamber executives realized that although 94 percent of the Chamber's members are small businesses, the Chamber had no training programs designed specifically to meet small businesses' needs.

"I think this is going to be only the first step," Jask says of the Small Business Institute. "We're trying to come up with new ways of learning for the fastest-growing business segment: small business."

For Additional Information

To learn more about the Small Business Institute's offerings, call the U.S. Chamber of Commerce's Federation Programs and Services Division at (202) 778-2401. To order the books, call 1-800-884-2880. NB

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To receive additional descriptions on the course materials above, call 800-851-8705, ext 600.

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SBI 200

WOMEN IN BUSINESS

On Board For The Long Haul

Meet some pioneer women entrepreneurs who have built their businesses to stand the test of time.

By Sharon Nelton



PHOTO: ERICK FREEDMAN—BLACK STAR

With projects *like this clinical center at Boston's Beth Israel Hospital, Martha Rothman, president of Rothman Rothman Heineman Architects, is proving her company's staying power.*

Martha L. Rothman, president and majority stockholder of Rothman Rothman Heineman Architects, co-founded her Boston firm with her husband in 1969. "It's not something that I intended to do for a few years and then stay home," she says. So she's been in business for herself for 26 years now. Pretty good, huh?

But wait. There's Ernesta G. Procope, still at the helm of E.G. Bowman Co., Inc., the Wall Street commercial-insurance company she founded in 1953 when her last name was still Bowman.

And Lillian Vernon, whose famous New Rochelle, N.Y., mail-order company is 44 years old.

And Estée Lauder, co-founder of the 49-year-old, New York-based cosmetics company that bears her name.

And Evelyn Echols, the founder of Echols International Travel and Hotel Schools, in Chicago. She thought her business would be just a hobby when she started it in 1962, when she was 47. Now she's 80, and she's still running the $1.5 million company, which trains workers for the travel industry.

These are just some of the pioneers among women entrepreneurs whose businesses have stood the test of time.

It may be too soon to assess the likelihood of longevity among the great wave of women-owned businesses that began in the late 1970s and are continuing today. But signs are emerging that they are as durable as their male-owned counterparts.

"Women business owners have tenacity," says a study released earlier this year by the National Foundation for Women Business Owners and Dun & Bradstreet Information Services. The study found that 28 percent of women-owned firms have been in business 12 years or longer, compared with 30 percent of all companies. The research, based on data on 800,000 firms in D&B's files and on government statistics, also found that:

■ Women-owned firms are more likely to have remained in business over the past three years than the average U.S. firm. Nearly three-fourths of the commercially active women-owned companies in 1991 are still operating, compared with two-thirds of all commercially active businesses (companies that engage in business in a regular manner and that are more likely to have employees and banking relationships).

■ Women-owned companies are as financially sound and creditworthy as the typical U.S. business. "They pay their bills promptly, pose no greater risk, and are at no greater risk of failing than the average U.S. firm," says David T. Kresge, senior vice president of D&B Information Services.

■ Women-owned firms are continuing to diversify into "nontraditional" industries, such as construction and manufacturing, while maintaining their "solid base" in retailing and services, the two industries where 72.5 percent of women-owned companies are concentrated.

Figures from the U.S. Small Business Administration have indicated that women-owned firms are less likely to have employees than those owned by men and that their revenues tend to be lower than those of businesses as a whole.

But the National Foundation for Women Business Owners-Dun & Bradstreet report suggests that change is under way. The study found that the number of women-owned firms with 100 or more employees

grew by 18.3 percent from 1991 to 1994, compared with 9.1 percent for all commercially active women-owned businesses. It also says there are now 7.7 million women-owned businesses employing 15.5 million people, or about 35 percent more workers than the number employed by the Fortune 500 companies.

What makes for long-term success? "Striving for excellence," says Rothman, whose architecture firm specializes in health-care facilities and performing-arts structures—and sometimes combines the two. One of its projects is the National Music Center in Lenox, Mass., which will be a retirement community for musicians. Rothman, whose company has $4.5 million in annual gross revenues and 55 to 60 employees, says, "We strive to select the most talented people for our company."

For Echols, business longevity has been a result of "personal involvement." She learned that most of the students who came to her were hurting one way or another: They had lost a job, were going through a divorce, or had been forced to leave college. "We empathize with them," she says of herself and her staff, which includes 14 full-time and 25 part-time employees.

These and other successful women entrepreneurs have other thoughts on what it takes to stay in business for the long haul. Among their suggestions:

Keep customers coming back for more. "I think our proudest achievement is the ability to sustain continuing relationships with clients and to build up their confidence so that when a client has a major project, they have the confidence to continue with us," says Rothman. For example, her firm had done work previously for Boston's Beth Israel Hospital, and when the hospital needed an architect for a $155 million clinical center, it turned to Rothman.

Get feedback. Throughout the life of her business, Echols has maintained an advisory board of CEOs and other top executives from throughout the travel industry. They meet with her two or three times a year to comment on her plans and suggest ideas of their own. "That's very helpful," she says.

Surround yourself with top-notch people. Procope, whose insurance clients include PepsiCo, IBM, and Philip Morris, says she has a dedicated group of key managers who have been with her from 18 to 31 years. "They've helped build the company," she says.

Don't be afraid to grow. Even though Echols elected to stay smaller to provide the kind of personal service she had decided upon for her business, she encourages other women to aim for growth that they can keep under control. She says she finds that too many women fear growth.

Think strategically. Look at what's going on in the world around you, and take advantage of it. Echols added training on how to start a home-based business in the travel field to appeal to people left jobless by corporate downsizing. Now she has a whole new clientele.

As women's businesses mature, they must, like their male-owned counterparts, plan for continuity. Sometimes this means handing the business down to the next generation; Ernesta Procope's niece, armed with a law degree, has just joined Procope's company, E.G. Bowman, and Procope says her niece will play a big part in the company's future.

Frieda Caplan, founder of Frieda's Finest Produce Specialties, a 33-year-old Los Angeles wholesale company, handed the president's office over to her daughter Karen long ago.

Echols thinks the time has come to sell her company, but she would continue to run it for a few years under the new owner.

Other businesses, such as Liz Claiborne, whose co-founder, Elisabeth Claiborne Ortenburg, is retired, continue on as public companies.

These women founders are not merely committed to making their businesses last. They're committed to making their businesses outlast themselves. ■



PHOTO: ©TOM BOSELIK—BLACK STAR

Commercial-insurance broker *Ernesta G. Procope has run her own firm, E.G. Bowman Co., for 42 years, the past 16 of them on Wall Street.*

The Founders

Women have founded or co-founded a number of well-known companies that have shown they have durability. Here are 10 of those women, their firms, and the dates they started their businesses:

EstéeLauder; Estée Lauder, cosmetics, New York; 1946.

Lillian Vernon; Lillian Vernon, mail order, New Rochelle, N.Y.; 1951.

Marian Ilitch; Little Caesar Enterprises, pizza chain, Detroit; 1959.

Frieda Caplan; Frieda's Finest Produce Specialties, exotic-produce wholesaler, Los Angeles; 1962.

Mary Kay Ash; Mary Kay Cosmetics, Dallas; 1963.

Ruth Fertel; Ruth's Chris Steak House, a national restaurant chain, New Orleans; 1965.

Priscilla Wrubel; The Nature Company, retail chain, Berkeley, Calif.; 1973.

Christel DeHaan; Resort Condominiums International, vacation time sharing, Indianapolis; 1974.

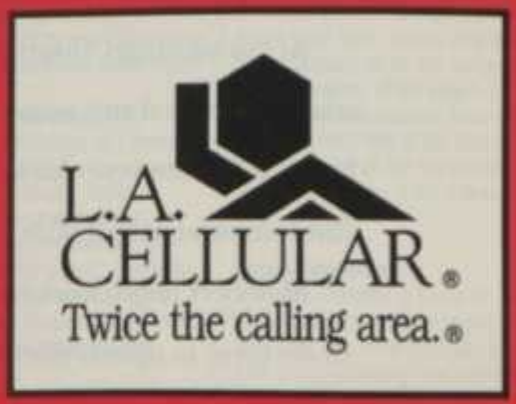
Lane Nemeth; Discovery Toys, Martinez, Calif.; 1978.

Oprah Winfrey; Harpo Entertainment Group, television and movie production, Chicago; 1985.

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For membership information, contact IMCA Executive Director Bill Hadley at (617) 723-1230, or fax him at (617) 227-9297.

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ALWAYS IN MY HEART

It is a great honor for me to be invited to deliver the Olin Lecture at my alma mater, Cornell University. It has been a long and challenging journey, with many bumps in the road, yet my wife and I are indeed very happy to return to this beloved campus.

This trip has allowed both of us to relive our dearest Cornell experiences. The long, exhausting evenings in the libraries, the soothing and reflective hours at church, the hurried shuttling between classrooms, the evening strolls, hand-in-hand—so many memories of the past have come to mind, filling my heart with joy and gratitude.

As I was about to board my plane to come here two days ago, some friends suggested that since I learned how to play golf at Cornell, I should take some time out and play a round or two with my friends here on this trip. These rounds, they suggested, should be called the "U.S. Open"—open to Lee Teng-hui, that is!

I want to thank you, President Rhodes, for your hospitality and for your unflagging support of my visit here to my alma mater.

I thank you, my fellow alumni, for your understanding and support as I undertake this important sentimental journey.

I thank the many, many friends in the United States who have been so supportive of my visit to your great country again.

And I also want to thank the people of this academic community, my professors and classmates, for the deep and lasting influence that Cornell University has had on my life. The support each of you has given means a great deal to me.

I deem this invitation to attend the reunion at Cornell not only a personal honor but, more significantly, an honor for the 21 million people in the Republic of China on Taiwan. In fact, this invitation constitutes recognition of their remarkable achievements in developing their nation over the past several decades. And it is the people of my nation that I most want to talk about on this occasion.

Listening To The People

My years at Cornell, from 1965 to 1968, made an indelible impression on me. This was a time of social turbulence in the United States, with the civil-rights movement and the Vietnam War protest. Yet, despite that turbulence, the American democratic system prevailed. It was also the time I first recognized that full democracy could engender ultimately peaceful change, and that lack of democracy must be confronted with democratic methods, and lack of freedom must be confronted by the idea of freedom before it would be possible to hasten the day of genuine democracy and freedom. I returned to my homeland determined to make my contribution toward achieving full democracy for our society.

Ever since I became president of the Republic of China in 1988, I have sought to ascertain just what the people of my country want and to be always guided by their wishes. Ancient China's Book of History, from over 2,000 years ago, contains the phrase,



This Olin Lecture was delivered June 9 at Cornell University, in Ithaca, N.Y., by Lee Teng-hui, president of the Republic of China.

"Whatever the People desire, the realm must follow." My criterion for serving as president is that I do it with the people in my heart. And it is obvious to me that most of all they want democracy and development. Democracy entails respect for individual freedom, social justice, and a sense of directly participating in the destiny of their nation. Economic development goes beyond attaining prosperity; it also involves equitable distribution of wealth.

Today we are entering a new post-Cold War era, where the world is full of many uncertainties. Communism is dead or dying, and the peoples of many nations are anxious to try new methods of governing their societies that will better meet the basic needs that every human has. There are many pitfalls in this search for a new rationale, and Man must strive to make the right choices with all the wisdom and diligence he can command.

Czech President Vaclav Havel said, "The salvation of this human world lies nowhere else but in the human heart." In my heart, I believe that the Taiwan Experience has something unique to offer the world in this search for a new direction. This is not to say that our experience can be transplanted entirely to fit the situation faced by other nations, but I believe that, without a doubt, there are certain aspects of this experience that offer new hope for the new age.

The Taiwan Experience

By the term Taiwan Experience I mean what the people of Taiwan have accumulated in recent years through successful political reform and economic development. This experience has already gained widespread recognition by international society and is being taken by many developing nations as a model to emulate. Essentially, the Taiwan Experience constitutes the economic, political, and social transformation of my nation over the years, a transformation which I believe has profound implications for the future development of the Asia-Pacific region and world peace.

It is worth remembering what we in the Republic of China on Taiwan have had to work with in achieving all that we now have: a land area of only 14,000 square miles (slightly less than one-third the area of New York State) and a population of 21 million. My country's natural resources are meager, and its population density is high. However, its international trade totaled US$180 billion in 1994, and its per-capita income stands at US$12,000. Its foreign-exchange reserves now exceed US$99 billion, more than those of any other nation in the world except Japan.

The Taiwan Experience bases peaceful political change on a foundation of stable and continuous economic development. Taiwan, under Presidents Chiang Kai-shek and Chiang Ching-kuo, experienced phenomenal economic growth. Currently, aside from economic development, Taiwan has been undergoing a peaceful political transformation to full democracy.

For many developing nations, the process of moving to a democratic system has been marked by a coup d'etat, or by the kind of "political decay" suggested by Professor Samuel P. Huntington. In short, it is not unusual for such a process of transformation to be accompanied by violence and chaos. However, the case of the Republic of China on Taiwan is a notable exception. Nonexistent is the vicious cycle of expansive political participation, class confrontation, military coup, and political suppression which has occurred in many developing countries. The process of reform in Taiwan is remarkably peaceful indeed, and as such is virtually unique. In addition to the "economic miracle," we have wrought a "political miracle," so to speak.

The Taiwan Experience has regional and international dimensions as well. In 1994, the indirect trade between Taiwan and mainland China reached US$9.8 billion. Taiwan's indirect investment in southern mainland China, made through Hong Kong, amounted to nearly US$4 billion, according to estimates from various quarters. Other sources suggest that Taiwan's total investment in the mainland could be as high as US$17 billion. Taiwan's trade and investment have also been extended to Vietnam, Russia, countries in Central America and Africa, and to the members of the Association of Southeast Asian Nations. Nearly 180,000 foreign workers, primarily from Southeast Asia, are now working in Taiwan. If each of them is by average the head of a family of six, then it is possible that almost 1 million people living in Southeast Asia are at least indirectly supported by Taiwan.

Although the Republic of China on Taiwan has been excluded from the United Nations, it has accelerated the formation of an international network with economic ties as the key link. Recently, it has even begun to launch a project to build Taiwan into an Asia-Pacific Regional Operations Center, aiming at further liberalization and globalization of our economy.

I never allow myself to ever forget for a moment that Taiwan's achievements have been realized only through the painstaking effort and immense political wisdom of the people. However, success comes from difficulty, and the fruits of the Taiwan Experience are all the sweeter today from a recognition of the arduousness of the process.

Popular Sovereignty

We in the Republic of China on Taiwan have found that peaceful transformation must take place gradually and with careful planning. Five years ago, on my inauguration day, I pledged to initiate constitutional reform in the shortest possible period of time. My goals were to provide the Chinese nation with a legal framework that is in accord with the times and to establish a comprehensive model for democracy. These goals have since been realized with the support of the people.

Our constitutional reform was conducted in two stages. First, all the senior parliamentarians last elected in 1948 were retired. Then, in the second stage, comprehensive elections for the

National Assembly and the Legislature were held in 1991 and 1992, respectively. This enabled our representative organs at the central government level to better represent the people.

Last year, the governor of Taiwan province, and the mayors of Taipei and Kaohsiung, the two largest cities in Taiwan, which used to be directly administered by the central government as special municipalities, were directly elected by the people for the first time. Next spring, the president and vice president of the Republic will also be directly elected by the people for the first time.

With the completion of constitutional reform, we have established a multiparty system and have realized the ideal of popular sovereignty. This has led to full respect for individual freedom, ushering in the most free and liberal era in Chinese history. I must reiterate that this remarkable achievement is the result of the concerted efforts of the 21 million people in the Taiwan area.

Today, the institutions of democracy are in place in the Republic of China; human rights are respected and protected to a very high degree. Democracy is thriving in my country. No speech or act allowed by law will be subject to any restriction or interference. Different and opposing views are heard every day in the news media, including harsh criticism of the President. The freedom of speech enjoyed by our people is in no way different from that enjoyed by people in the United States.

I believe that the precept of democracy and the benchmark of human rights should never vary anywhere in the world, regardless of race or region. In fact, the Confucian belief that only the ruler who provides for the needs of his people is given the mandate to rule is consistent with the modern concept of democracy. This is also the basis for my philosophy of respect for individual free will and popular sovereignty.

Thus, the needs and wishes of my people have been my guiding light every step of the way. I only hope that the leaders in the mainland are able one day to be similarly guided, since then our achievements in Taiwan can most certainly help the process of economic liberalization and the cause of democracy in mainland China.

I have repeatedly called on the mainland authorities to end ideological confrontation and to open up a new era of peaceful competition across the Taiwan Straits and reunification. Only by following a "win-win" strategy will the best interests of all the Chinese people be served. We believe that mutual respect will gradually lead to the peaceful reunification of China under a system of democracy, freedom, and equitable distribution of wealth.

To demonstrate our sincerity and goodwill, I have already indicated on other occasions that I would welcome an opportunity for leaders from the mainland to meet their counterparts from Taiwan during the occasion of some international event, and I would not even rule out the possibility of a meeting between Mr. Jiang Zemin and myself.

Yearning To Play A Positive Role

When a president carefully listens to his people, the hardest things to bear are the unfulfilled yearnings he hears. Taiwan has peacefully transformed itself into a democracy. At the same time, its international economic activities have exerted a significant influence on its relations with nations with which it has no diplomatic ties. These are no minor accomplishments for any nation, yet the Republic of China on Taiwan does not enjoy the diplomatic recognition that is due from the international community. This has caused many to underestimate the international dimension of the Taiwan Experience.

Frankly, our people are not happy with the status accorded our nation by the international community. We believe that international relations should not be solely seen in terms of formal operations regulated by international law and international organizations. We say so because there also are semi-official and unofficial rules that bind the international activities of nations. This being so, we submit that a nation's substantive contribution to the international community has to be appreciated in light of such nonofficial activities as well.

During last year's commencement, President Rhodes brought up the old saying, "Be realistic. Demand the impossible!" Well, over the last four decades, we have been extremely realistic while always trying to look forward, not backward, and to work, not complain. Accordingly, we have created the very fact of our existence and economic prosperity. We sincerely hope that all nations can treat us fairly and reasonably, and not overlook the significance, value, and functions we represent.

Some say that it is impossible for us to break out of the diplomatic isolation we face, but we will do our

Continued on Page 60

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Circle No. 22 on Reader Service Card.

Transforming Taiwan into an Asia-Pacific Regional Operations Center

Among the fast growing Asia-Pacific economies, the Republic of China on Taiwan is heading toward the twenty-first century with a call for international partnership.

The "Taiwan Experience", which has been widely recognized by the world, serves as a model for the future development of the Asia-Pacific region. Taiwan's extraordinary economic results best demonstrate our potential and ability in attaining a significant stance in the international community. The people of Taiwan have made this relatively small island the fourteenth largest trading nation in the world. With more than US$100 billion in foreign exchange reserves, second only to Japan, Taiwan is the world's eighth largest source of investor capital.

The success of Taiwan's economic development has fostered a sustainable growth during the past four decades, which has been linked to a process of continuous liberalization. Liberalization since the 1960's has helped establish a strong exporting sector and promote the rapid industrialization in Taiwan. With a strong economy as foundation, the ensuing political reform was able to proceed smoothly to a full-fledged democracy, which sets the stage for Republic of China on Taiwan to launch another economic strategy.

As the world marches toward the 21st century, Taiwan is faced with new challenges and new opportunities. In light of the rapid changes in the global economic setting, such as the success of the Asia-Pacific regional economies and the Uruguay Round of the GATT negotiations, and the formation of APEC, NAFTA, the European Union, and the World Trade Organization, Taiwan must employ a winning strategy to further facilitate economic development, as well as to continue existing economic prosperity.



Premier Lien Chan

On January 5, 1995, our government embarked on a major economic initiative to transform Taiwan into an Asia-Pacific Regional Operations Center (The APROC Plan). The APROC Plan has two major aspects, namely, the liberalization and internationalization of the economic environment, and the development of six specific centers based on Taiwan's key comparative advantages. The six centers are manufacturing, air transportation, sea transportation, financial, telecommunications and media centers.

By comparison, Taiwan has many advantages over competing countries in future economic development. The most apparent is Taiwan's substantial economic resources. Taiwan's unique geographical location is ideal for multinational enterprises seeking to penetrate the Asian markets. Other strengths that we possess include a highly educated and motivated workforce, a strong industrial base, a growing domestic market, modern management capabilities and the networking of Taiwan companies in East Asia through intraregion trade and investment activities.

The APROC concept aims at creating an internationalized and liberalized macroeconomic environment that permits the free flow of goods, services, human resources, funds and information. By opening up internationally, Taiwan will be able to become a more effective member of the international economic community. This free environment will enable Taiwan to attract multinational enterprises to use it as a base for conducting business activities in the Asia-Pacific region, including the booming Southeast Asian markets and the vast mainland China market.

In acceding to GATT, Taiwan is committed to abiding by the spirit of the Uruguay Round agreement and promoting the further liberalization of our economy. In this respect, the government announced five guiding principles to ensure the full play of market forces: focusing primarily on competition policy instead of industrial policy; relying on facilitative and constructive rather than regulatory and constrictive policies; redefining government's role as an umpire instead of a player to maximize private participation; adopting the reporting system in lieu of approval system; ensuring policy transparency to delimit the purview of government responsibility.

The APROC Plan is a cross-century economic initiative that our government undertakes to achieve another economic breakthrough. The successful implementation thereof will not only redefine Taiwan's economic horizons, but will further strengthen Taiwan's regional role. As we have proved ourselves to be an accountable member of the international community, we will continue to contribute to the integration and prosperity of the Asia-Pacific region. We invite friends from all over the world to join us in this international partnership.

Chan Lien

Lien Chan
Premier
Republic of China on Taiwan

utmost to "demand the impossible." Ultimately, I know that the world will come to realize that the Republic of China on Taiwan is a friendly and capable partner for progress!

If we view the recent economic, political, and social developments in the Republic in this light, we have a basis for defining the status of my country in the post-Cold War and post-Communist era. Only in this way can we propose a new direction for the new world order as we enter the 21st century.

Close Traditional Ties

I want once again to express how grateful I am to be with you. My gratitude extends not only to Cornell but also to the United States as a whole. When we look back in history, we can immediately realize how close the traditional ties between our two countries are. Indeed, our shared ideals for human dignity and peace with justice have united our two peoples in the closest of bonds.

The United States was extremely helpful in the early stages of Taiwan's economic development. We have never forgotten America's helping hand in our hour of adversity, so your nation occupies a special place in our hearts. Today, as the sixth-largest trading partner of the United States, the Republic of China imports and exports US$42.4 billion worth of goods through our bilateral trade. We also are the No. 2 buyer of U.S. Treasury notes. About 38,000 students from Taiwan are studying in the United States. Students who have returned have made important contributions to our society.

The Republic of China's development has been partly influenced by the experiences of its people while studying abroad. I gained substantial know-how in the mechanics of national growth and development from the faculty and students I worked with here in America at both schools where I studied. I had the chance to see democracy at its best in the United States—and to observe its shortcomings as well. We in Taiwan believe that we have much to learn from an advanced democracy such as the United States; however, we also believe we should develop our own model. The success of our democratic evolution has provided tremendous hope for other developing nations, and we wish to share our experience with them. Our efforts to help others through agricultural development have been well-received, and we are eager to expand our technical-assistance programs to friendly nations in the developing world.

Taiwan has grown from an agricultural exporting economy to a leading producer of electronics, computers, and other industrial goods. We are "paving the information highway" with disk drives, computer screens, laptop computers, and modems. We are poised to become a major regional operations center as well as to buy more American products and services to develop our infrastructure.

We stand ready to enhance the mutually beneficial relations between our two nations. It is my sincere hope that this visit will open up new opportunities for cooperation between our two countries.

It is for this reason that I want to publicly express my appreciation and admiration to President Clinton for his statesmanlike decision. We are equally grateful to others in the administration, to the bipartisan leadership in Congress, and to the American people.

Always in My Heart

Whatever I have done as president of my nation, I have done with the people in my heart. I have thought long and hard about what my people want, and it is clear that, most of all, they desire democracy and development. These wishes are no different from those of any other people on this planet and represent the direction in which world trends will certainly continue.

As I have spoken to you today, I have done so with the people in my heart. I know that what my people would like to say to you now can be expressed by this simple message:

The people of the Republic of China on Taiwan are determined to play a peaceful and constructive role among the family of nations.

We say to friends in this country and around the world:

We are here to stay;

We stand ready to help;

And we look forward to sharing the fruits of our democratic triumph.

The people are in my heart every moment of the day. I know that they would like me to say to you, that on behalf of the 21 million people of the Republic of China on Taiwan, we are eternally grateful for the support—spiritual, intellectual, and material—that each of you has given to sustain our efforts to build a better tomorrow for our nation and the world. In closing, I say God bless you, God bless Cornell University, God bless the United States of America, and God bless the Republic of China.

Thank you very much.



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Circle No. 27 on Reader Service Card

Free-Spirited Enterprise

By Michael Barrier

Lap Of Luxury

On a recent trip to Southern California, we decided to visit a newly opened deluxe hotel—not the Sultan of Brunei's pricey digs in Beverly Hills but a hotel designed for an even more demanding clientele: the Cat Hotel, in Burbank.

Mind you, Magnolia Boulevard in Burbank doesn't exactly resemble Rodeo Drive, but no sybaritic starlet can compare with a cat when it comes to a taste for luxury. If you live with a cat, you can test our statement easily. Place a new cashmere sweater and an old terry-cloth bathrobe side by side on your bed, and then invite the cat to lie on whichever it chooses. Case closed.

Scott Ivers, the veterinarian who opened the hotel in June in a 3,000-square-foot space above his animal hospital, has seven cats of his own, and he used to board them at "atrocious" catteries. "They were petrified for a week after being home," he recalls. As with Walt Disney, so with Ivers: Disney so disliked the crummy amusement parks where he took his two daughters that he created Disneyland; Ivers came up with the idea for the Cat Hotel.

The Cat Hotel holds two dozen capacious, multilevel "condos" (no "cages," please). Each one is 6 feet high, 5 feet wide, and 3 feet deep—much larger than the usual space at a kennel—and furnished in elegant synthetic fabrics. If a couple of cats prefer to share one "condo," another "condo" must remain empty. "We'll never have more than 24 cats here at one time," Ivers says.

Regular "condos" go for $25 a day per cat; a few "suites" are available too, at $35 a day. The extra outlay brings a TV set and a little custom sofa designed to accommodate feline couch potatoes. "They love it," Ivers says of the TVs. "They like cartoons."

Feline Fitness

Like any first-rate hotel, the Cat Hotel has a gym, too. Each cat works out for 45 minutes every day in a mesh-covered area equipped with five 10-foot cedar trees (complete with treehouses) from burned-over land in Utah.

When a feline guest checks into the Cat Hotel, it is bathed and brushed—and "fluffed and folded," as Ivers says—before being escorted to its "condo." Each "condo" is cleaned thoroughly every day (the couches at the Cat Hotel, unlike those in the typical cat-dominated household, don't accumulate a lot of hair), and then stripped and washed when there's a change of cats. Such rigor has one stunning result: The Cat Hotel does not smell like cat.



Ivers wasn't sure how cats would react to the hotel—most cats, after all, enjoy a trip to the vet about as much as they enjoy a bath—but after the hotel opened, "it's like, wow, they really do go for it. All the animals that come in, within two days it's like they've left home and they're moving permanently and they're going to call for their bags. The only concern I have is whether they're going to want to go home when Mom and Dad show up."

Who is making reservations? "People who have cats that are members of their families," Ivers says. He cites one couple who have not gone on vacation for five years, "and now that we've opened our facility, they're planning a three-week trip to Hawaii. We've got bookings for as long as five weeks."

Ivers says he's not targeting the entertainment industry—the Disney and Warner Bros. studios are just a short putt away from the Cat Hotel, as is the NBC studio where the "Tonight" show originates (Jay Leno and a camera crew were among the Cat Hotel's first visitors). But it's hard to imagine how showbiz types could resist the Cat Hotel's combination of luxury and pizazz—and Ivers' willingness to indulge the eccentricities of cat and owner, whatever they may be. "We will custom-prepare meals in the kitchen for any of the animals that need them," at no extra charge, he says—even when, as in one case, the special diet includes hand-feeding chicken and turkey three times a day.

There's not exactly a shortage of high-priced kennels appealing to anxious pet owners, but the Cat Hotel, built at a cost of around $150,000, is probably unique in both its attention to detail and its showbiz flair. The concept cries out for duplication, and Ivers has already trademarked the Cat Hotel logo. He is looking at his alternatives: Go public? Franchise?

Lure Of Licensing

And, of course, merchandise with that Cat Hotel logo could be a lucrative sideline, too. It's easy to imagine the logo on a home version of that mesh-covered area with the cedar trees, for example, especially in a place like Los Angeles, where coyotes gobble cats off their owners' porches. There's even the prospect of a Cat Hotel animated cartoon.

"There's definitely a [financial] side to this," Ivers acknowledges, "but I think the attitude has to be: 'What are we doing for our feline friends? How can we make them happy?' I think the rest kind of follows." NB

Family Business

Staving off desperation-driven departures; handling an apparent hiring mistake.

OBSERVATIONS

The Agony Of Quitting A Family Firm (Part 2)



PHOTO: T. MICHAEL KEZA

By Sharon Nelton

Last month, we introduced you to Paul and Maureen, two potential successors who had quit their family-owned businesses.

Both had experienced ongoing conflict with the senior generation. And both felt stymied in their efforts to bring their own ideas into their companies and assume real responsibility.

Paul's and Maureen's stories have a lot to teach us. What, for example, would have kept these bright young people in their respective businesses?

If her dad had backed off and let her run the company—or even a division—and let her make her own mistakes, she might have been able to stay, Maureen answers. As it was, she felt deprived of a sense of achievement.

Just as important, she says, a business owner needs to start planning for retirement and succession very early—perhaps as early as age 40. It would help, she says, to be thinking about these issues even before the next generation is brought into the business.

One of Maureen's reasons for leaving was the burden she felt over her parents' expectation that the business would continue to support them in a luxurious lifestyle throughout their retirement. She would have been more comfortable, she says, if her parents had disciplined themselves "to amass a retirement fund" outside their business.

Paul advises business owners to make it known to the younger generation that "there is a way to gain ownership or there is a way to be promoted from within. When you're a family member, it's automatic that you feel at some point you're going to become an owner. Otherwise, why put yourself through what you're going to go through?"

Paul also recommends that business owners work toward a better-managed company as a means of retaining the younger generation. And he urges them to consider how decisions they make now will affect future generations. His grandfather's attempt to be fair to his four children by leaving them equal shares of the company, Paul feels, led to a power struggle that ultimately destroyed the family.

In both cases, it might have been wise to get counseling as soon as problems began to appear. When Maureen and her father finally sought help, it was too late. The situation was "too far gone at that point," says Maureen.

Paul's family might have especially benefited from a specialist trained in interpersonal communications. Inability to communicate was a deep-seated problem in the senior generation, and family members often took to issuing orders or yelling at one another. "That's the bottom line," says Paul. "There was no way to communicate."

Are you a member of a younger generation who is going through experiences similar to Paul's and Maureen's? It's important to realize that what you are doing might be making matters worse. Paul and Maureen both admit that at times they unwittingly escalated problems.

Maureen acknowledges her own role when she says of herself and her father: "We weren't looking at how to work together," and "We worked against each other to make sure that each other failed, and in doing so, the company was doing miserably."

She and Paul both advise trying everything in your power to make the situation work—there are just too many benefits to being in a family business to give up easily.

"But when it starts hurting you, get out," says Maureen. "I don't care if that means that it's the scariest thing in the whole world. You have to get past the feelings of loyalty, of being afraid that you can't make it doing something else." ■

MARK YOUR CALENDAR

Oct. 20, Addison, Ill.

"Family Business Succession Planning" is the topic of a daylong seminar of the Midwest Association of Family Business Owners. Call Thomas W. Dardis at (708) 495-8900.

Oct. 22-25, Hilton Head Island, S.C.

The 1995 Family Business Conference, sponsored by *Family Business Magazine*, covers such topics as sibling partnerships and mentors for the next generation. Call 1-800-637-4464.

Oct. 25, Wilmington, Del.

"Managing the Culture of a Family Business" is a seminar featuring *Nation's Business* columnist Craig E. Aronoff. Call Jill Lock at Simon, Master & Sidlow at (302) 652-3480.

Oct. 28-30, Dallas

"Effective Representation of Family-Held Business" is the theme of the 1995 annual meeting of Attorneys for Family-Held Enterprises. Call (717) 871-9005.

Oct. 31-Nov. 2, Corvallis, Ore.

The "Women in Family Business Summit," sponsored by Oregon State University, features family-business consultant Léon Danco. Call (503) 737-3326.

Nov. 8, Washington

"Family Communication and Management Development" is an all-day workshop offered by the George Washington University Center for Family Enterprise. Call (202) 994-9150.

Nov. 8-10, Orlando, Fla.

"Managing Succession Without Conflict" is sponsored by the Arthur Andersen Center for Family Business. The seminar will be repeated in June 1996. Call Ross Nager at (713) 237-2770.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

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Circle No. 13 on Reader Service Card

FAMILY BUSINESS CASE STUDY

Losing Trust In A Key Manager

When the McCall brothers—Bob, 35, and Tim, 33—launched McCall Technology two years ago, they had the necessary engineering skills for a start-up, but they lacked critical manufacturing experience. Bob recalls how excited he and Tim were when a friend referred them to Jim Osborn, 43, a production vice president squeezed out of his job during a corporate merger.

"We thought hiring Jim as chief operating officer was a windfall," says Bob. "He had the experience we needed, and he was available. In hindsight, I wish we had been more careful in our selection."

Bob and Tim had seen the potential for manufacturing a circuit board with an innovative design. They were confident that if they got their product to market quickly, maintained high quality, and met the changing needs of the fast-paced electronics industry, they would be successful. The company has done so well that the brothers have been receiving unsolicited calls from venture capitalists.

Recently, however, several top customers have questioned McCall's ability to satisfy their increasing needs. On questioning them, the brothers learned that Jim had implied the company was in financial trouble. When they confronted Jim, he denied giving customers that impression.

"We can't understand why he would undermine us this way, especially since he knows we are financially sound," says Tim. He and Bob realize that Jim may be putting his own interests ahead of the company's. They also realize that Jim now knows more about them and McCall Technology than they know about him.

"Since Jim was referred to us by a friend," says Bob, "we didn't bother to check his references, and now we don't know how to protect ourselves or the business. What can we do?"



ILLUSTRATION: TROY THOMAS

Strive For Professionalism

The McCall brothers' knowledge of engineering has enabled them to realize the early growth of their company, but their inexperience in matters ranging from production to leadership has limited their success.

They did not assign sufficient gravity to the selection of a COO or take advantage of Jim's experience to mentor them in production. Had they done so, their enhanced knowledge of production, their increased contact with Jim, and their observation of his relationship with customers might have forestalled the present crisis. Their tendency to delegate without remaining involved isolated them and created communication problems.



PHOTO: BOBBI DIAZ

John D. Atkinson, a Corvallis, Ore., psychologist and marriage and family therapist who specializes in services to family firms and closely held companies.

To protect themselves now, they should:

- Ask their accountant to prepare a prospectus to assure customers of the financial soundness of the company.
- Retain an attorney to help them resolve the issue of Jim's continued employment or termination.
- Learn to see each aspect of the business as equally important and interdependent; lax hiring procedures, for example, have clearly resulted in harm to the company's reputation.
- Define clearly their leadership and management roles.
- Address internal communication issues.

These steps will guide Bob and Tim toward a strategic course of action for McCall Technology.

If the growth of their company is to match the quality of their product, they will need to be responsive to issues outside their area of expertise and assemble a professional management team with business acumen.

Search For Common Ground

The issue is whether Jim has intentionally spread rumors or is merely uninformed about the company's financial situation. Bob and Tim can (1) ask Jim to leave, which may lead to legal problems; (2) consider legal action against Jim for undermining the business and interfering with its future success and profitability; or (3) attempt to resolve the conflict and continue what has so far been a successful relationship.

Litigation is time-consuming, costly, and stressful. Another option is mediation, a voluntary process emphasizing disputants' interests instead of issues or positions. A mediator is a trained, experienced neutral who assists the participants by facilitating discussion. With a mediator's guidance, the McCalls and Jim can reach their own agreement confidentially, quickly, and inexpensively, while preserving their working relationship.



PHOTO: GLORIA SUE SCOTT

Roberta R. Jeffrey, a Mill Valley, Calif., mediator, trainer, and consultant who specializes in conflict resolution in the workplace and in family businesses.

Jim may have no ulterior motives. Perhaps, as a nonfamily member, he has been excluded from financial discussions and is actually unaware of the company's solid position. Mediation may reveal that the simple act of including Jim in discussions can avoid misunderstandings.

If Jim is acting out of self-interest, however, the underlying reasons must be explored and resolved in order to achieve agreement. For example, if Jim thinks he is worth more than he is being paid, mutual interests may be better served if the brothers provide Jim with incentives rather than sever him. Mediation offers Bob, Tim, and Jim the opportunity to craft a fair and mutually satisfactory agreement rather than have a decision imposed on them by the court.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. **Copyright © by the Family Firm Institute, Brookline, Mass.**

Franchising SPECIAL GUIDE

Why Franchisors Look Abroad

Prospects for growth and profits are leading companies to move into markets overseas.

By Roberta Maynard

From the small town of Temecula in Southern California to the streets of Cairo is not so great a leap as one might imagine. Terry Shores, president of Chico's Tacos, made it this fall when he opened his first overseas store, in the Egyptian capital, though it's too soon to tell how his Mexican fare will sell in the Nile Valley.

To go or not to go overseas is a question more franchisors are pondering as potentially lucrative, sometimes wide-open foreign markets beckon. In 1993, about 400 of the nation's 3,500 franchisors—about 11 percent—were doing business abroad, according to the International Franchise Association, in Washington, D.C. Significantly, an additional 1,000 have said in IFA surveys that they plan to award franchises abroad within five years.

Probably the best evidence of this international growth is that overseas markets—for years the province of the United States' largest franchisors—are being targeted by smaller, newer companies like the 100-unit Chico's, which began franchising domestically only three years ago.

Generally, the factors leading U.S. businesses to look for opportunities abroad are also driving franchising's international expansion. Those factors include heightened awareness of global markets, relaxation of trade barriers, saturation of some existing domestic markets, increasing prosperity and demand for consumer goods in many regions overseas, and increasing ease of doing business internationally because of improved communications and transportation systems.

In addition, franchisors are benefiting from the growing awareness of franchising as a concept in countries where it was virtually unknown only a few years ago.

A franchisor's main challenge is to determine how to establish stores in unfamiliar markets thousands of miles away, with different laws, customs, and cultures.

One approach, called direct franchising, is to seek out individuals abroad who are interested in operating franchised businesses in their own countries.

Another method is to pursue a joint venture with another company, which usually results in the formation of a third company owned by both partners to handle operations in a particular region.

A more typical approach, though, is the one used by Chico's and the vast majority of U.S. franchisors—namely, finding and training master franchisees, typically well-capitalized business people who understand the local laws and marketplace.

A master franchisee buys the rights to develop units within an area or a country. Usually, the territory is an entire country. After establishing a successful track record, the franchisee may be granted additional territories.

For example, a master franchisee with TCBY International, the yogurt company based in Little Rock, Ark., has opened 21 stores in China and Hong Kong and was

At Chico's Tacos, *Terry Shores, president, is entering the international marketplace by taking his Mexican fare to Cairo and Amsterdam.*



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recently given the go-ahead to develop the brand in India. The franchisee has contracted with an Indian dairy-products company to set up at least 25 stores within five years.

A variation of this approach is to tap a U.S. company already in the target market as a master franchisee. The Italian Oven, Inc., based in Latrobe, Pa., took this approach in linking up with Sizzler International, Inc., based in Los Angeles. Their agreement, which will catapult the Italian-restaurant company into Australia, calls for Sizzler to develop 125 Italian Ovens in that country over 25 years.

The agreement will allow The Italian Oven to piggyback on Sizzler's success, reputation, and experience in Australia, where the larger company already owns and operates 42 Sizzlers and 87 KFCs and franchises an additional 40 Sizzler restaurants.

The agreement between the two American-based companies is subject to U.S. laws, an important advantage should a dispute arise between the two companies.

Each approach to expanding internationally has advantages and drawbacks. Direct franchising requires more franchisor involvement but gives the franchisor much greater control over the foreign operation.

Joint ventures create more-cumbersome tax and financial issues than the other two approaches, but they have other advantages, which vary depending on the arrangement.

Master franchising is popular because it requires minimal franchisor cost and less direct franchisor involvement. A master franchisee provides local expertise and oversight of the subfranchisees whom it chooses to operate individual stores.

The best way to find potential master franchisees is to advertise in newspapers and franchise publications, participate in trade missions, and work with international brokers. Another good source of candidates is the U.S. Department of Commerce, which seeks out foreign partners for U.S. companies through its Gold Key program.

Foreign Franchise Markets

Figures are for 1992; dollar amounts are U.S. millions; 5 on the scale means "very" or "significant;" 1 means "negligible" or "none."

Country	Total Value Of Franchise Goods And Services Sold	Total Goods And Services From U.S. Franchises	Market Receptivity To Franchising	Competition From Other Franchises In The Same Sector	Market Barriers (Government Rules)
Canada	$76,436	$40,749	5	2	5
Japan	65,100	1,890	4	3	3
France	29,000	580	4	1	4
Germany	10,500	900	4	4	2
United Kingdom	8,750	-	4	3	5
Italy	6,500	350	4	3	4
Mexico	5,350	3,500	5	5	5
Norway	4,800	70	5	3	5
Brazil	4,200	640	5	4	3
Belgium	3,000	310	4	2	4
Switzerland	2,200	870	4	4	3
Singapore	630	440	5	4	5
Hong Kong	600	350	5	4	5
Sweden	500	152	3	3	5
Spain	500	350	5	4	5
Finland	390	50	3	2	4
Saudi Arabia	185	125	4	3	4
Nigeria	25	0	5	5	3
India	15	0	3	2	3
Taiwan	13	4	4	2	4
Thailand	6	5	5	5	5

SOURCE: INTERNATIONAL TRADE ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

In addition, franchisors are often approached by would-be master franchisees who perceive a market for the product or service in a region. Such contacts have opened the door to international expansion for many companies.

Jeffrey Fields, The Italian Oven's vice president of franchising, says a foray into international operations was not even part of the company's plans until executives from his company and Sizzler who were personally acquainted began discussing the possibilities. "When an ideal situation, and one that we felt comfortable with, arose with Sizzler as our franchisee, we felt this was something we could do," he says.



PHOTO: SCOTT GOLDSMITH

Australia in hand: *Jeffrey Fields, franchising vice president, charts expansion plans for The Italian Oven.*

Sizzler saw Australia as being ripe for new restaurant concepts, and its research revealed an opening in the market for fresh food in a family atmosphere—an alternative to fast food.

The Italian Oven is making plans for controlled international growth, Fields says, while ensuring that it doesn't neglect its growing domestic operations. The company has 13 company-owned restaurants and 66 franchises, and it has received paid commitments for nearly 400 more locations.

Another franchisor that was prompted by a potential master franchisee to enter the global marketplace is American Fastsigns, based in Carrollton, Texas. The company, which posted more than $70 million in revenues last year, now has its custom sign and lettering stores in seven countries. In Brazil alone, it has opened 11 stores and plans for a total of 60 there within the next five years.

The company's foreign expansion, begun five years ago, has been achieved mainly through master franchisees, although it has awarded individual franchises directly in Canada and Mexico. American Fastsigns is not yet relying heavily on foreign business, however. "International hasn't really been lucrative," says CEO Gary Salomon. "It's more an investment in the future."

Whatever method a franchisor chooses—and different methods may be chosen for different regions—the key is to move carefully and avoid allowing excitement about market potential to overshadow the need for careful research on possible franchisees and the market.

Certainly, the wherewithal to buy the franchise isn't the only consideration in choosing a franchisee. Says Salomon: "In some instances we picked the wrong partners. They [the master franchisees] might have had the money [to invest], but they weren't willing to focus."

To increase the chances of a good fit, the sign company has developed a lengthy process of interviewing potential master franchisees. "You can look at personality profiles," says Salomon, "but you can't really evaluate unless you meet them face to face for a few weekends."

Each prospective master franchisee for an American Fastsigns territory visits the company's headquarters in Texas to meet individually with every department head and with other executives. Up to 15 candidates a month are interviewed.

Party Land, Inc., a party-supply chain based in Plymouth Meeting, Pa., receives 20 to 30 inquiries a month from potential franchisees. John L. Barry, Party Land's vice president of franchise development, says: "We look for more than money. That's outweighed by whether they have a service-conscious approach—the ability to understand what we're doing. We're very aligned to finding the right individual."

Party Land's first location abroad, in Singapore, was initiated about six years ago when vacationers from Singapore saw a Party Land store in Pennsylvania and asked the company about developing the



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FRANCHISING

Why You Might Not Want To Go International

Despite the interest in global expansion among many franchisors, venturing into foreign territory is not for every franchisor or every franchise. For example, Raymond L. Barton, president of Great Clips, Inc., in Minneapolis, believes there's more than enough opportunity in the United States to keep his hair salons busy and profitable.

While Great Clips is technically an international company, with 10 sites in Vancouver, British Columbia, as well as almost 600 stores in the U.S., Barton has decided not to take his international expansion further.

"When I think of international expansion," he says, "I think of the untapped market in our industry [here], and it doesn't make sense to do it. The greatest potential for growth is right here in our own back yard."

There are 250,000 hair salons in the United States, says Barton, and no chain has significant market dominance. Great Clips is adding 10 to 15 stores every month, and, in light of current demographic projections, he says, the company could expand to as many as 6,000 locations in the United States and Canada.

This vision explains Great Clips' aggressive domestic strategy. When entering a new market, the company sets up a state-of-the-art training center with local support-staff members, then opens multiple locations with heavy advertising to achieve market presence quickly.

In Chicago, for example, the company opened 25 stores in about nine months, with another 35 under contract to open. Great Clips plans to have about 200 locations in that market in three to four years.

"There are opportunities for us in Europe or Asia; the question is one of priorities," Barton says. "The best use of our resources is here in the U.S. and Canada."

Some franchisors may choose to stick with domestic operations because their con-



PHOTO: STEVE WOIT

Opportunities *abound at home, says Raymond Barton, president of Great Clips hair salons.*

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cept is not easily adapted to other languages or cultures. Others may face technical or legal barriers in trying to enter foreign markets.

Another possible obstacle to overseas expansion is that the business may be tied to a particular industry structure that doesn't exist elsewhere, at least not to an extent that it could support foreign operations. One example of that circumstance is AmeriSpec, Inc., a national franchisor of home-inspection services, based in Orange, Calif. "My business wouldn't even be a business if it weren't for the litigation in the U.S.," says Thomas Carroll, AmeriSpec's president. "There's not the same focus elsewhere."

The company chose to enter the Canadian market three years ago with the enactment of laws there requiring disclosure of problems in homes offered for sale. Now, 23 of the company's 250 units are in Canada.

Carroll says his goal is to capture 10 percent of the estimated 4 million real-estate transactions each year in the United States and Canada.

"Our strategy," he says, "is to fully develop the North American continent and keep our ear to the ground as disclosure unfolds in other countries."

market in their country. The company has since added Canada, Mexico, and Puerto Rico to its repertoire, and it plans to enter Chile soon.

Some American franchisors have found that foreign master franchisees have more business expertise than typical U.S. franchisees. John M. Kott, vice president of Kott Koatings, a company in Foothills Ranch, Calif., that provides porcelain-reglazing services, says: "Here, it's mom-and-pops. There, companies with expertise know the area, they know marketing, and they know business. More and more of the people we deal with [abroad] are in a business unrelated to what we do; they see the value of diversity and are part of a group of industries."

> **'We look for hands-on operators . . . not those looking for a diversion.'**
>
> —Hartsell Wingfield, TCBY International

Hartsell Wingfield, president of TCBY International, has a similar view: "In the U.S., we provide almost a cookbook. For most [U.S.] franchisees, this is the first venture into franchising, maybe even in the food business. We provide very close hand holding through the grand opening."

But with international franchisees, because of the distance and time differences, "that's just not possible," he says. "So we must choose master franchisees who have already been successful in business and who understand the principle of fast food."

Wingfield adds: "We have made some mistakes. Now, we look for hands-on operators—people with expertise and a management structure and who view TCBY as a complement to their existing businesses—not those looking for a diversion."

Choosing the right partner is only half the battle, though; the other half is choosing the right markets. Each concept and country must be considered separately in relation to a multitude of issues about the market, potential franchisees, legal matters (see the box on Page 72), receptivity to franchising in general, and feasibility of the particular

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FRANCHISING

Before You Enter An Overseas Market . . .

The Italian Oven, Inc., in Latrobe, Pa., developed an extensive document identifying a number of issues that should be studied before entering a new market. Among them are:

Suitability. Are the concept, products, services, and format suitable for the target markets?

What does market research reveal about demand for goods and services, competition for customers, and labor and pricing matters?

Profitability. Can the franchisor and franchisee reasonably project profits? What are the details of the business plan (including royalties, development fees, and franchisor duties, responsibilities and costs)? What are travel, communication, and related costs?

Target markets. What is the history of similar businesses and of foreign franchisors in the market? Consider market characteristics: economic growth, demographics, language, and lifestyles (cultural, religious, and dietary).

Capability. Can the franchisor fulfill its responsibilities with current infrastructure and without compromising domestic efforts?

Can the franchisee perform its responsibilities regarding capital, development, operations, and knowledge of the market (including consumer preferences, the real-estate market, the labor environment, and the legal system)?

Supply. Evaluate raw-ingredient needs and availability. What are the costs of importing materials compared with buying them locally?

Is it necessary to adapt domestic product configurations to the target market?

Are there restrictions on importing equipment and operating supplies?

Currency. Consider conversion to dollars, export of revenues.

Competition. Is it prohibitive? If there is none, does this suggest vast potential or limited demand for the product?

International relations. Consider political, commercial, currency, and tax structures.

Legal matters. What are the regulations pertaining to the offering and sale of a franchise? Consider laws on protection of a franchisor's rights, including noncompetition-clause enforcement (prohibiting franchisees from operating similar businesses), as well as protection of trademarks, confidential information, and trade secrets.

Real estate. Can sites be purchased? Are long-term leases available? What are the common practices in obtaining real estate?

Does the franchise concept require restrictions on use of the property?

Labor. Consider labor laws, unions, and the availability of qualified employees.

Taxes. How much in income, excise, and transaction taxes will have to be paid to the United States and to the country where you will be franchising?





concept. This research is so important that The Italian Oven has developed an extensive document for use in determining whether to enter a market. (See the box on Page 70.)

Many of the past failures of U.S. franchisors in overseas markets can be traced to a lack of market research. A well-known U.S. hamburger franchisor failed in Malaysia, for example, because it overlooked the fact that two-thirds of the population does not eat meat. The company, with its hamburgers-only fare, discovered too late that it couldn't compete against existing companies that offered a varied menu.

Similarly, a fast-food fish company did not prosper in Japan because its standard product was made from a type of fish that the Japanese widely regard as inferior.

To avoid those kinds of mistakes, Party Land sends a team to potential markets to conduct studies and demographic analyses and to observe the cultures.

The company was initially drawn to Puerto Rico after learning that the commonwealth has 22 official holidays—holidays for which party supplies may be needed.

Following further encouraging re-



PHOTO: SOPHIE COMITTA

Porcelain reglazing *is booming overseas, say Kott Koatings' John T. Kott, left, the firm's president, and John M. Kott, vice president.*



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Franchising SPECIAL GUIDE

search, Party Land has licensed 11 stores there.

International partners can be excellent sources of market information, says Kott of Kott Kostings. Master franchisees "are doing a lot of research and are putting up a lot of money," $100,000 to $300,000 for a Kott master franchise, he says. "We no longer take the attitude that we know it all. We ask them about the market because they have done their homework."

How can a company determine if it should franchise internationally?

"Until a company has a very, very solid domestic base—manufacturing, distribution, sales, and marketing—it should not approach international business," says TCBY's Wingfield. A crucial factor is whether support can be provided to the overseas franchisees—from initial training on.

The first two master franchisees for Chico's Tacos trained for a month in a Chico's California store. To follow up, four Chico's representatives will go to Cairo and later to the second overseas store, in Amsterdam.

For its Australian venture, The Italian Oven brought Sizzler's senior managers through its five-week franchisee training, which covers everything from food preparation to employee management. The Italian Oven also is sending training managers to Australia for one year to help with the initial restaurants.

"From the franchisor's standpoint," says Kott, "you've got to be willing to get on a plane and go visit the franchisee."

It was a slip in sales in some areas in the late 1980s that prompted Kott to look overseas for new markets, and the company's international business has been booming ever since. "From our viewpoint, growth is better overseas than at home," says Kott. "We carry stock from our [domestic franchisees]. The foreign franchisees order more and then use more because they can't stock it." This is important for Kott because, unlike many other franchisors, the company doesn't collect royalty fees. Its revenue comes from sales of the glazes and resins used in the firm's reglazing process.

Now, four years after taking the plunge into international franchising, the 40-year-old family business has 150 overseas franchises in 31 countries. Last year, overseas operations increased by 245 percent, pushing income from foreign operations to nearly 50 percent of the company's revenue.

Concerning the firm's decision to grow abroad, Kott says: "The more we looked at future stability, the more important international expansion seemed." NB

The Laws Abroad

The growth of franchising around the world in the 1980s has led to an inevitable proliferation of laws governing it. Until 1988, franchising was regulated on a national level only in the United States. Since then, various franchising laws have taken effect in 20 countries, according to Andrew P. Loewinger, an international-franchising attorney in the Washington, D.C., office of Abraham Pressman & Bauer.

In 1988, the 12 countries in the European Community—now the European Union—adopted the Block Exemption on Franchising, which exempts franchise companies from the EU's antitrust laws. Since then, France, Mexico, and Brazil have enacted laws similar to those of the United States, requiring franchisors to provide presale disclosure to prospective franchisees.

Australia and Italy have adopted voluntary codes pertaining to presale disclosure and other requirements.

In addition to laws specifically governing franchising, a wide range of other statutes may affect franchising in various countries. They cover trademarks, antitrust issues, taxes, contracts, technology transfer, currency control, foreign investment, and import and export restrictions.

The most important legal issues for franchisors to explore, says Loewinger, are:

Trademarks. Because piracy is a problem in some countries, trademark registration should be the first item of international business. It's not uncommon for a company wishing to expand abroad to discover that someone else has already applied to register its trademark.

Ideally, a company should start the registration process one to two years before entering a market. That includes meeting with a trademark attorney, considering which countries to enter, and beginning the actual filing process. The business reality, though, is that when an opportunity to enter a market presents itself, trademark registration must be handled quickly.



PHOTO: T. MICHAEL KEZA

International-franchising *attorney Andrew Loewinger.*

The structure of the deal. A critical decision is how to structure the international expansion: directly, or through a joint venture, or by using a master franchisee. Each option has financial, tax, and legal implications. An important consideration is the taxation of franchise fees in the host country.

Local laws. Some foreign jurisdictions require the franchisor to pay termination fees to a franchisee when the franchise arrangement is being ended. Others restrict certain foreigners from operating certain types of businesses (a prohibition that could apply to a prospective franchisee), or they may restrict the outflow of hard foreign currency. In Great Britain, for example, landlord-and-tenant laws can be restrictive, and in Greece there are rules against selling magazines within a certain distance of the ubiquitous magazine kiosks.

Dispute-resolution provisions. Because foreign courts have no obligation to enforce a judgment from a U.S. court against a foreign party, contracts should contain a clause outlining the means of dispute resolution, which usually is arbitration.

The United States and many other countries abide by a multilateral U.N. treaty on recognition and enforcement of arbitration awards rendered in the signatory countries. Contracts should designate the location and ruling authority of any arbitration proceedings.

U.S. laws. An emerging legal issue is whether franchisors must abide by franchise rules set by the Federal Trade Commission and individual states when doing business in other countries.

For the time being, franchisors would be prudent to provide, at a minimum, a standard U.S. disclosure document to prospective foreign franchisees.

Any company planning to do business outside the United States should seek U.S. legal counsel with appropriate franchise law expertise in the target markets.

LEGISLATION

A Zone Of Relief From Regulation?

Congress and the EPA are considering ways to make run-down urban sites more attractive to small firms.

By James Worsham

When small-business owners consider locating their operations in old, abandoned buildings in urban areas, they're often scared off by the greeting party: federal regulators.

Older sites sometimes need expensive cleanup under the watchful eyes of the Environmental Protection Agency or costly building modifications to comply with Occupational Safety and Health Administration standards or the Americans with Disabilities Act. As a result, business owners frequently head for the cleaner, less burdensome "greenfields" of the suburbs and beyond.

To make run-down sites more attractive and less of a liability to small firms, Congress and the EPA are considering ways to diminish the negative influences of such regulations.

Sen. John D. Ashcroft, R-Mo., has introduced legislation in the Senate to combat what he calls the "regulatory redlining of our urban centers." His bill would establish "urban regulatory-relief zones," where regulations could be eased or waived, depending on community support and the site's planned use.

Under Ashcroft's plan, a local economic-development commission would be set up to consider and propose to the federal government the regulatory exceptions. Proposed exceptions would have to be site-specific, and there would be no blanket relief from federal rules. The federal agency responsible for enforcing the regulation would have the final word.

While the measure would not apply to state or local regulations, Ashcroft hopes action on federal regulations would pressure states and municipalities to ease any similar rules of their own.

"The real purpose of this is to set up a structure to allow regulations which are being counterproductive to be set aside," says Ashcroft, a former two-term Missouri governor.

One of the biggest regulatory roadblocks in getting businesses to use older buildings, Ashcroft says, is the companies' fear of getting involved in an expensive environmental cleanup under the federal Superfund law, which governs the cleanup of hazardous-waste sites.

Indeed, the General Accounting Office, the investigative arm of Congress, underscored the problem in a report earlier this year. It said the "far-reaching and uncertain liability imposed by federal and state environmental laws" was scaring off developers and lenders from investing in older, inner-city sites.

Meanwhile, the EPA is taking several actions this year to limit or eliminate the cleanup liability that prospective purchasers of older but less contaminated sites might face. Such arrangements, however, are not available for the most contaminated sites on Superfund's National Priority List.

To ease developers' fears, the EPA has culled from its lists thousands of sites on which it plans no further action. Also, under an EPA pilot program called "brownfields," grants have been awarded to 18 communities nationwide so far with 32 more set for next year to assess the cleanup needed for potential industrial sites and to develop cleanup plans. And several cities and states have cleaned up urban sites on their own to comply with EPA rules.

While the Ashcroft proposal, introduced during the Senate's debate on regulatory reform, and the EPA's administrative actions could encourage development in run-down urban areas, they nonetheless unearth complex regulatory dilemmas.

The Superfund liability controversy, says James Boyd, a research fellow at Resources for the Future, a Washington public-policy research organization, is bringing to the forefront such questions as whether a proposed industrial site should be subject to the same cleanup standards as residential areas.

Karen Florini, senior attorney in the Washington office of the Environmental Defense Fund, a public-interest group, says that if less cleanup is allowed, for example, for a piece of land that's to be paved over for a parking lot than for a parcel that's to become a playground, the public must still be concerned about that site in case it's dug up in 10 years for some other purpose.

Ashcroft likens his "urban regulatory-relief zones" to enterprise zones, which provide such things as tax breaks for firms to locate in economically distressed areas.

Others familiar with the issue agree with Ashcroft's contention that it's imperative to put the inner-city sites to use by making them less of a financial risk for development. Says Boyd: "It's absolutely important that this kind of thing happen." NB



Abandoned areas *could become "urban regulatory-relief zones" under a bill sponsored by Sen. John D. Ashcroft, R-Mo. The measure is designed to promote the use of neglected inner-city buildings by small firms.*

MANAGING

Customers Need Training, Too

Satisfying them can be easier if you've educated them first.

By Michael Barrier

There has never been a time when customer satisfaction didn't carry considerable weight in the thinking of most small-business people. Over the past decade or two, though, many companies, large and small, have turned "customer satisfaction" into a mantra. The idea took hold that the customer must be pleased, no matter what.

Some vendors and customers—consumers and business customers alike—have embarked on a more sophisticated relationship. It is based on the idea that customers are most likely to feel truly satisfied not when a vendor is catering blindly to a customer's whim but when customer and vendor are responding to each other's needs. For such mutuality to exist, businesses must listen to their customers, but they must also ask their customers to listen to them.

Consultant Richard C. Whiteley, president of the Boston-based Forum Corp., says small businesses must educate their customers about what they can reasonably expect. If a business doesn't do that, he says, "and I'm not used to buying what you're selling to me, I'm going to make up my own expectations."

Customers' expectations tend to be more optimistic than what the vendor is able to deliver—and that means, Whiteley says, that no matter how good the vendor's product or service may be, there will be a quality problem in the customer's eyes.

By contrast, when there's the right kind of interaction between customer and vendor, "there's learning going on, on both sides," says Joseph P. O'Leary, a Chicago-based partner in the Arthur Andersen consulting firm who led a recent study of customer satisfaction. When mutual learning takes place, he says, "your chances of having expectations met or exceeded are much, much higher."

Whiteley points to home building as an industry in which unrealistic customer expectations have led to chronic dissatisfaction. As a result, he says, some shrewd home builders are actively engaging new-home purchasers in the building of their houses, asking them to come to the construction site regularly and review what the builder is doing—and learn why the builder is doing it.

Educating customers about performance can in fact be pretty simple with the right kind of product.

For example, DAPAT Pharmaceuticals, the Nashville, Tenn., manufacturer of an external analgesic called Dr.'s Cream, faced this challenge: In competition with much larger makers of such over-the-counter remedies, it had to find some way to attract customers despite a tiny advertising budget.

Jeff Gaw, the firm's president, says DAPAT's solution was novel in its industry: It distributed packets of free samples with every order and asked the pharmacists who got the samples to pass them out selectively to potential customers by, for instance, putting one in the sack along with a prescription for a pain reliever.

"When it's done that way," Gaw says, a high percentage of the sample recipients—knowing exactly what to expect—"come back and buy a jar."

However, many products and services do not lend themselves to such straightforward customer education.

For a small business in a new and, to many potential customers, unfamiliar industry, "customer training is essential," says Robert L. Berman, president and CEO of Employee Resource Management. ERM, based in Charleston, S.C., is a "professional employer organization"—what is more widely known as an employee-leasing company. A firm such as ERM transfers its client companies' employees onto its own payroll and then "leases" them back to the original employers, relieving those companies of a lot of administrative responsibilities that don't produce income directly.

Clients get a handbook "that runs them through every process that we do for the client," Berman says. "When they're talking to us, we'll refer all the time to that

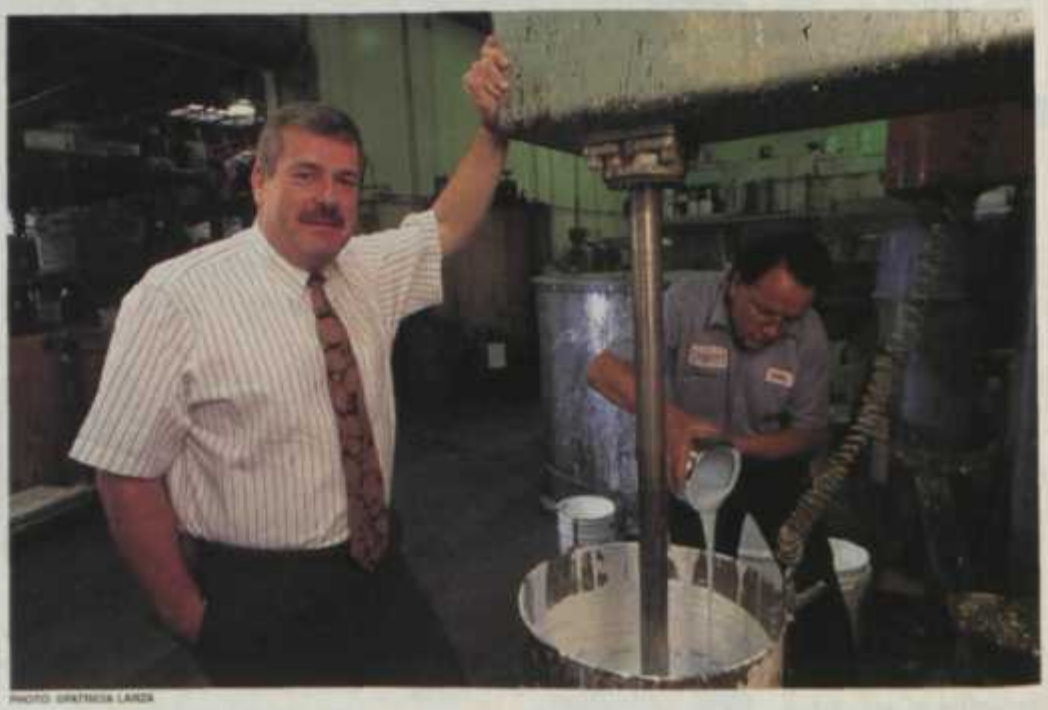


PHOTO: GRATRICIA LANZA

California manufacturer *Edwin Laird—seen here with employee Edward Mora—teaches customers how they can comply with environmental rules that govern paints.*

book. That education process starts with the signing, and I don't think it ever stops."

ERM, which operates in 11 states and has about 2,000 "leased" employees, faces the hurdle of conveying what it does—and why its services are worth the money—with "every client, every day," says Gene King, ERM's executive vice president. "It's like walking into an office in 1969 and trying to explain what a fax machine is."

One odd problem, as King explains it, is that ERM does "so much right in [the] operation that wasn't being done right before." Then, when things are running smoothly, the client decides ERM really isn't needed anymore. As Berman says: "It seems like what we're doing is too easy."

Educating the customer can get even trickier when the source of confusion is not the nature of the business itself but the ever-changing government regulations to which its products are subjected. Coatings Resource Corp. of Huntington Beach, Calif., has faced such a challenge since it was founded in 1976.

Coatings Resource, a small specialty manufacturer of paints and coatings for toys, computers, and TV cabinets, and its customers in the Los Angeles area have been operating under increasingly severe air-pollution restrictions. "There are a lot of people who don't sleep well here in Southern California," says Edwin C. Laird, the company's founder and president, "because these regulators are dreaming up all kinds of rules that small and midsize businesses just cannot live with."

Laird has responded not only by reformulating his products—the change has been equivalent to moving from oil-based paint to latex—but also by setting up seminars to educate his customers on how to obtain the necessary permits and keep the required records.

When he was the chief chemist for a manufacturer of aircraft coatings, Laird worked closely with government engineers in the early days of "technology-forcing" rules, he recalls, "and after that, they knew that I could formulate to meet the air-pollution rules."

Then, when a company asked about using a product, "some of the engineers would say, 'Why don't you go see Ed Laird, and he'll help you formulate something.' If they knew a company was having a particular problem, they would refer them to me." He has continued to work with the customers of his own company in much the same way.

Among Coatings Resource's customers are several large companies—well-known manufacturers like Mattel and Sony—that rely on small subcontractors "that actually do the finishing for them," Laird says. Those small companies, confronted with stringent environmental requirements, wouldn't know how to meet them; Coatings Resource tells them how to do it.

"We give them specific information on exactly how they can get through the maze of regulations and maximize production," Laird says. "No matter how nonsensical these rules are, there's a way to meet them."

By going to bat for his customers in this way, Laird says, he has won tremendous loyalty from them, to the point that "we have yet to lose a customer," except for those few that have gone out of business or that Coatings Resource itself has dropped because they didn't pay their bills. "I like to think of my customers as just an extension of my business," he says, "and they think that way, too."



PHOTO: ERICK FREEDMAN—BLACK STAR

Tell customers *what to expect, consultant Richard Whiteley advises.*

Few businesses are as tightly entwined with their customers as Coatings Resource, but many companies—think of the proliferation of toll-free telephone numbers for buyers of personal computers—find it necessary to continue the education of their customers even after the purchase of a product is completed.

Indeed, as Laird's experience suggests, small companies can convert what might appear to be a burden into an asset.

"Really good companies," Whiteley says, "are creating a brand image both for their products and for the way they deal with customers. That's very powerful."

When companies use their continuing relationships with customers effectively, customers "start understanding your perspective, and the limits to what you can do," says Grace Major, a consultant in Oakton, Va., who wrote *Take Charge! How to Manage Your Customer Relationships* (Sigma International).

But there are hazards, too, for businesses in the evolving customer relationships. For one thing, Major says, situations that lend themselves to standardized responses are being delegated increasingly to machines. For example, because so many routine telephone inquiries can now be answered by recorded messages, says O'Leary of Arthur Andersen, "those calls that do come through" to a real person "require more-complex problem-solving abilities."

The business that sets out to train its customers will probably have to step up the training of its employees, too.

Small business in particular is likely to feel the weight of such demands. Many customers turn to small companies, Major believes, because they want a more customized, individual service—"and that means the customer doesn't want scripts. I believe they want a consultative focus on their needs."

Moreover, there can be circumstances in which customers must be lured into accepting training that they don't want. When you buy a new car, Whiteley says, "you don't want to spend an hour with somebody going over all the little buttons. And yet, one of the most critical variables in determining how people view your service, and whether they'll come back or not, is the delivery process that dealers have. And it really requires some sound education."

One way that savvy dealers work around that problem is by taking the customer out in the car so the dealer can buy a tank of gas—and provide some instruction along the way. As Whiteley says, "It's like a bribe"—a very well-intentioned one, to be sure.

In the new world of customer relationships that is emerging as the 21st century approaches, smart small-business people will be seizing every such opportunity to open the lines of communication between themselves and their customers. NB

Small Business Financial Adviser

Sorting it out with the IRS; a CAPLine for credit; disaster plans; credit snafus; stock funds' excess tax costs.

Report Pension-Plan Defects To Avoid Penalties

By Mary Rowland

Over the past four years, the Internal Revenue Service has stepped up its audits of company pension plans, threatening to disqualify—with debilitating tax consequences—those that fall short. For example, a group of doctors recently asked Seymour Goldberg, a pension lawyer in Garden City, N.Y., for help with their pension plan, which had just been audited. "The IRS found five or six errors in the plan and hit them for $1 million in back taxes," Goldberg says.

Because pension rules are so complex, the scope of the problem with plans is enormous. "The IRS estimates that up to 90 percent of the plans have some sort of defect in them," says Joan Vines, national director of employee-benefits tax services, in the Washington office of the Grant Thornton accounting firm.

But there is a bit of good news here. If a pension-plan sponsor discovers a defect in the plan and brings it to the attention of the IRS under the voluntary compliance resolution program, or VCR, the only cost to the business may be a modest filing fee.

"If you go to the IRS first, before they catch you, you can save hundreds of thousands of dollars," Goldberg says. "If you wait until they audit you, you've lost the opportunity."

Pension plans must follow strict rules outlined in the tax code and in the Employee Retirement Income Security Act of 1974, or ERISA, the federal law governing pension plans. These rules pertain to participation, vesting schedules, and nondiscrimination testing, among other things.

The Department of Labor and the IRS enforce the regulations, and a plan that does not comply can be disqualified. This means the employer loses the tax deduction for the company's contributions and must pay not only the unpaid taxes but also penalties on those taxes. The disqualified company contributions also become taxable income to employees.

Although the IRS always had the authority to disqualify plans, consultants say that the agency began to threaten large numbers of companies with disqualification only after it adopted the closing agreement program, or CAP, in December 1991.



"In the old days, the service would come in and do an audit and see how close you were to the standards," says Rhonda Davis, a former IRS attorney who now is a consultant in the Boston office of Hewitt Associates, a benefits consulting firm. "If you had a couple of small things, you would just fix it up."

But under CAP, the IRS considered even a minor defect grounds for disqualification. "There are hundreds, even thousands of pension rules," says Fred Reish, a pension attorney with Reish & Luftman in Los Angeles. "If you violate even one of them, the entire plan could be disqualified, resulting in taxes, excise taxes, and penalties that might amount to half the value of the plan."

For that reason, Reish and other attorneys and accountants are enthusiastic about the IRS's voluntary compliance program, which was introduced as a temporary program in 1992 and later made permanent. "There's no reason to be against VCR," Reish says. "The IRS is going to continue to audit plans, find defects, and disqualify them. VCR gives you an opportunity to self-correct and solve your own problem."

The VCR program cannot solve every pension problem. "VCR is for operational defects," Vines says. "It works if you have a good plan document but you've just messed up in some operations." The program is not available for major errors, such as failure to amend a plan properly when the law changes.

In fact, though, experts say that most problems are operational defects. For example, the VCR program can work if a plan has misapplied the vesting schedule, exceeded the limit on contributions, failed nondiscrimination tests, or failed to get spousal-consent forms on pension withdrawals.

What should you do if you are concerned about possible defects in your company pension plan? "Every plan sponsor should be doing a search to see if there are any problems," Vines says. "You can either do it internally or you can hire someone to do it." One approach is to hire an accounting firm to do a compliance review, which might cost $2,000 to $5,000, says Vines.

You might be able to do less work and get by at less cost, however. Although there are thousands of pension rules that can trip you up, the IRS typically focuses on certain areas. "The IRS doesn't audit for all of the defects that could possibly be found," Reish says. "At any point in time, they may have 10 or 15 issues they are focusing on." A good pension attorney knows about these issues and can check your plan for compliance.

"It's too expensive for a small business to have a full-blown plan audit," Reish says. "If you are concerned that your plan is not in compliance, take your last three years' worth of records to a pension lawyer and ask to have [them] reviewed in terms of the issues the IRS is currently concerned with."

Reish estimates that an attorney could complete that work in two to three hours. "That would cost $250 to $750, and it would give you 75 percent accuracy," he says. Reish's estimates assume that you would sit down with the attorney and go over the documents together.

If the review turns up problems, you decide whether to complete the lengthy application for the VCR program. "You lay out in detail what happened, why it happened, and what you will do to make sure it doesn't happen again," Vines says. "Then you mail it in to the IRS."

You must also pay a user's fee based on the size of the plan and the number of participants. If the plan's assets are less than $500,000 and you have no more than 1,000 participants, the fee is $500. The fee rises, according to a scale, to a maximum of $10,000 for plans with more than 10,000 participants.

The IRS reviews the application and decides whether it will accept your proposal to fix your plan. The agency can reject the application if it's incomplete or if the proposed solution is judged inadequate, Vines says. "This is a downside to going to VCR," she explains. "Once you do the submission, you have to be prepared to settle."

Finally, some consultants say that clients who find minor defects in their plan sometimes decide to clean them up on their own without notifying the IRS. "Pragmatism must prevail, or the small plan will die," says G. Patrick Byrnes, an actuary at Actuarial Consultants Inc. in Torrance, Calif. If a client has a routine and unintentional error in a plan, "I've had a number make a decision just to correct it without going through the program," says Byrnes. But Byrnes adds that he would *never* advise a client not to correct the error. "The advice is always to correct, never to hide it." ■

BORROWING

SBA's CAPLine Credit Program

Small businesses can finance accounts receivable and inventory through the new CAPLine Revolving Line of Credit Program offered by the U.S. Small Business Administration.

"The CAPLine program is a good financing alternative for companies like manufacturers and wholesalers that need longer-term, asset-based financing," says Jane Butler, deputy SBA administrator for economic development. She says the program, begun in July 1994, "has been successful thus far, but we are hoping for more volume."



The borrower works with a local bank to obtain approval for a CAPLine. The SBA participates in the approval process and guarantees repayment to the bank of up to 75 percent of the line amount if the borrower defaults. The SBA guarantee cannot exceed $750,000, so most banks limit a CAPLine to $1 million.

A CAPLine can offer a borrower several pluses.

First, the SBA guarantee can increase a lender's risk tolerance, enabling it to offer a line of credit to a young, rapidly growing company, for example.

Second, a CAPLine can be set up for as long as five years, ensuring a small-business owner that financing will not be withdrawn by a lender unexpectedly during the period to which the parties agree.

Third, a CAPLine provides repayment flexibility. Rather than requiring a fixed monthly payment, as does a term loan, the CAPLine balance fluctuates with the level of the borrower's accounts receivable and inventory. This can be critical for the cash flow of a growing small company.

Another advantage is lower cost. Although the SBA charges a 2 percent guarantee fee (or 0.25 percent if the line is set up for less than a year) and the lending bank typically charges servicing fees, a CAPLine is a less costly alternative than factoring—selling accounts receivable to a company that assumes the risk of collecting payment. Factors typically charge 1 percent on every advance and, on outstanding balances, set an interest rate equal to the prime rate plus 2 percent or more.

One possible disadvantage that borrowers might find in the CAPLine program is the high level of monitoring. At least once a month, the borrower has to submit a borrowing-base certificate comparing the levels of accounts receivable and inventory with the line balance. The company must also supply quarterly financial statements.

For loans over $200,000, the bank must conduct semiannual field examinations, and a control account and lock box must be set up at the bank by the borrower to handle all accounts-receivable collections.

The interest rate for a CAPLine cannot exceed the prime rate plus 2.5 percent, and it is negotiated between the borrower and the bank.

Advances on the line are generally limited to 50 percent of the eligible inventory level and 75 percent of eligible receivables. In other words, if your inventory level is $200,000, you could borrow $100,000 against your line of credit. If your receivables are $100,000, you could borrow $75,000 against your line.

For more information on the SBA's CAPLine program, contact your local bank or the SBA's Answer Desk at 1-800-8-ASK-SBA.

—J. Tol Broome Jr.

The author is a vice president of FirstSouth Bank in Burlington, N.C.



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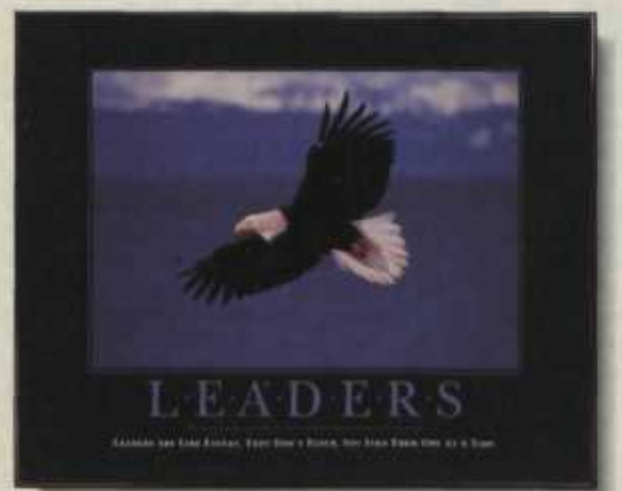
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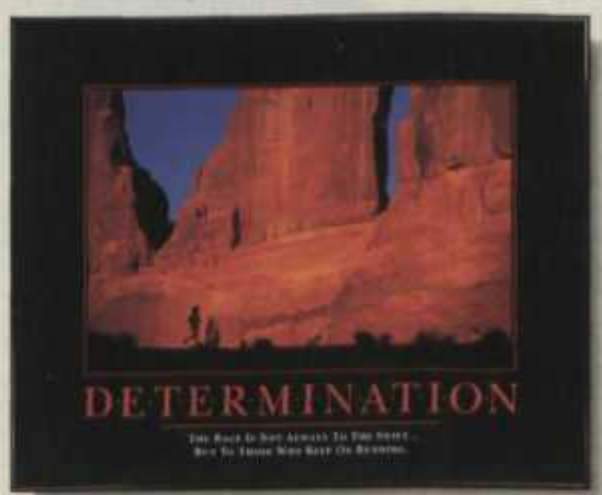
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CREDIT REPORTS

Surprise Errors Can Delay A Loan Decision

Bill, the owner of a print shop in Chicago, had an impeccable credit history and a five-year track record of profits and growth. When he needed a $250,000 loan for business expansion, he was surprised to learn the bank found several federal tax liens on his credit report. Although the information was incorrect, his loan request was delayed until he could prove the report was in error.



The personal credit report of a small-business owner plays an important role in the credit decisions made by financial institutions. Banks, finance companies, and the U.S. Small Business Administration frequently obtain copies of a business owner's credit report as part of the credit-analysis process.

"Most lenders believe that in a closely held business, the company will be a mirror image of the way the individual conducts his personal life," says John Hostetter, a vice president for business banking at Norwest Bank in Colorado Springs, Colo. "Although the business and individual are two different entities legally, in reality the difference becomes blurred with closely held businesses. The personal credit report is a critical tool in evaluating the business owner's character and ability to repay the loan."

For a business owner, an error in a personal credit report can be a financial disaster. Once an error is found, the owner often must devote substantial time and effort to proving the information is incorrect. If the financial institution is not satisfied, an incorrect report may result in higher interest rates, requests for additional collateral, or stricter loan terms.

Also, many banks have centralized their lending operations, so the loan officer who rejects an application because of an unfavorable credit report—not knowing that it's erroneous—may be in a city far from the borrower's community and have no knowledge of the business owner's credit reputation.

Nobody knows how many credit reports are wrong, says David Medine, the associate director of credit practices for the Federal Trade Commission. "But I can say it is the No. 1 subject of complaint the FTC receives."

Before undertaking a major transaction, obtain a copy of your credit report from each of the three major credit-reporting companies–Equifax, Trans Union, and TRW.

If errors are found, apply the Fair Credit Reporting Act's guidelines for correcting credit problems. "The first step is to dispute the problem with the credit bureaus," says Ed Friedman, president of the Credit Repair Group, in Encino, Calif. "If the bureau can't resolve the problem, the next step is to contact the credit granter directly to see if it can resolve the problem."

Under agreements between the FTC and the three major credit-reporting companies, the credit companies, after receiving written notification, have 30 days to either verify the information or accept the individual's version. If the problems are unresolved by this process, individuals have the right to request that a 100-word summary of their own version of the disputed information be added to the credit file.

To obtain a copy of your credit report, contact the credit companies directly: Trans Union Credit Information, 1-800-851-2674; Equifax Credit Information Services, 1-800-685-1111; and TRW Information Services, 1-800-392-1122. Each credit company will request a letter with specific information. Equifax charges $8 for a report, and Trans Union charges $15; TRW provides one free report per year.

—Laddie Blaskowski

The author is a business consultant and writer in Colorado Springs, Colo.

INSURANCE

Disaster-Proof Your Commercial Lease

It's bad enough to go through a major disaster like a flood, an earthquake, or a tornado. But afterward, businesses that use leased space often find themselves out in the cold, owing rent on a place that is uninhabitable, meeting a payroll for employees who have no place to do their jobs, and facing the arduous task of rebuilding customer loyalty, often at a new location.

You can protect yourself from such post-disaster trauma by creating a disaster-proof lease before the rumbling or the rains begin.

When negotiating a lease, it's important to spell out, for example, whether you or your landlord is responsible for insuring, repairing, and replacing such improvements as carpeting, track lighting, or custom-built cabinets.

Also, make arrangements to reduce your rent or get out of the lease if the space is uninhabitable for a significant time or if it becomes impossible to reach because roads are flooded or the parking lot has buckled. You should also make sure to specify in the lease that the landlord's insurance proceeds will actually be used to repair the building and not to pay off the mortgage.



Sanford Liebschutz, a Rochester, N.Y., lawyer who chairs an insurance-and-indemnity committee of the American Bar Association, says detailed leases are even more important for small businesses than they may be for the big chains. "A large business chain like The Limited or Blockbuster or Burger King can maybe close down this one location and leave it closed, but the sole proprietor usually can't do that." He recommends that you hire a knowledgeable attorney to help negotiate your lease.

There are other lease details to consider. For instance, would you be willing to relocate temporarily until repairs are made and then move back? You also should have a clear understanding of how quickly the landlord is willing to make repairs, and whether you can get any kind of rent abatement while you're waiting.

Investing in a tailored lease now may save you thousands of dollars in repairs and lost business in the long run. If you plan ahead, your business doesn't have to crumble with your building.

—Janine Latus Musick

The author is a free-lance writer in Columbia, Mo.

INVESTING

Minimize Taxes When Investing In Stock Funds

By Randy Myers

The last thing most investors think about when buying or selling a stock mutual fund is the tax consequences of their decision. They ought to reconsider.

A surprising 1994 study by Stanford University economics professor John Shoven and Federal Reserve Board economist Joel Dickson determined that of the $36 billion in taxable gains distributed by mutual funds in 1993, more than $1 billion could have been avoided, without a performance sacrifice, if the managers of those funds had simply made an effort to do so.

Why didn't they? Most were just too busy trying to post the biggest pretax investment returns for their shareholders. That's the measure by which funds are judged in the marketplace, and funds that earn the biggest returns attract the most business.

"While taxes are very important," concedes a spokeswoman for Fidelity Investments, the nation's largest fund company, "Fidelity funds are managed for maximum total return."

Here are the mechanics behind the study's statistics: A fund manager who decides to buy a particular stock typically does so over a period of time—5,000 shares here, 10,000 shares there, often at different prices, until sated. Selling, too, is often spread out over the course of several days, weeks, or even months.

When it's time to calculate their realized gains on a stock—the difference between the purchase and sale prices—most managers simply average their costs on either side of the transaction. That's legal and simple, but not always tax-efficient.

If they are willing to do the paperwork, fund managers can sell the securities with the highest cost basis first and minimize capital gains. That's important to shareholders because ultimately—usually at the end of each year but sometimes on a monthly or quarterly basis—all of those gains, along with dividend income, are paid out to them in the form of a distribution and become subject to federal taxes (unless the shares are held in a tax-deferred retirement plan).

Fund managers also can rack up big tax liabilities for investors when they aggressively trade in and out of different stocks over the course of a year, producing lots of short-term capital gains (assuming their trades are profitable).

Val Jensen, president of Jensen Investment Management, a Portland, Ore., money-management firm, says that over the course of 20 years a mutual fund earning 15 percent a year while replacing just 10 percent of its stock portfolio annually (a buy-and-hold strategy) would grow to approximately twice the size of a fund that had an equal earnings rate but turned over its entire portfolio every year.

Investors who wish to take advantage of such disparities can seek out funds that keep turnover to a minimum, such as those that mimic a stock index. Or they can invest in one of the handful of relatively new mutual funds that are committed to minimizing tax consequences. They include Vanguard's Tax-Managed Fund, with three portfolios from which to choose (1-800-662-7447); the Schwab 1000, Schwab Small Cap Index, and Schwab International Index funds (1-800-838-0650); or the Evergreen Tax-Strategic Foundation Fund (1-800-807-2940).

Vanguard's fund, typical of the genre, sells its highest-cost-basis stocks first, seeks to offset realized gains by taking losses on stocks that have declined in price, and holds portfolio turnover to a minimum.

Want more choices? For the past two years, Chicago-based Morningstar Inc. has been calculating returns for mutual funds on a pretax and after-tax basis. You can subscribe to its publications or find them in most public libraries and use them to help identify other tax-efficient funds.

10 Tax-Efficient Funds That Are Also Good Performers

Among diversified stock mutual funds, the following finished in the top 25 percent for the three years ended June 30, 1995, as measured by total return. Within that group, the funds listed below are the most tax-efficient. To determine tax efficiency, Morningstar Inc. divided after-tax total return by pretax total return (the commonly advertised figure). A tax-efficiency ratio of 1.0000 means the investor had no tax liability because there were no distributions from the fund.

Fund Name	Annualized Pretax Return For Past 3 Years	Tax-Efficiency Ratio
Colonial Small Stock A	21.78%	1.0000
John Hancock Emerging Growth B	20.38	1.0000
Piper Jaffray Emerging Growth	16.52	1.0000
Berger 100	15.79	1.0000
Fairmont	14.16	1.0000
TCW/DW Core Equity	12.56	1.0000
American Performance Aggressive Growth	20.24	0.9993
Stein Roe Capital Opportunities	19.86	0.9971
John Hancock Special Equities A	27.28	0.9969
Preferred Growth	18.72	0.9959

SOURCE: MORNINGSTAR INC.

Even if you don't make your fund selection on the basis of its tax efficiency, there are other steps you can take to reduce the tax consequences of mutual-fund investing.

The most obvious is to avoid buying a mutual fund immediately before it makes a distribution. If you buy a fund at $15 a share on Dec. 10 and the fund makes a distribution of $1 a share the next day, your shares automatically decrease in value by $1, and you owe federal income taxes on the distribution—even though it represents gains, or dividends, or both on stock activity that predated your ownership.

Also, choose the cheapest way to account for your own gains when selling. Absent your decision to do otherwise, the Internal Revenue Service expects you to calculate any gain in the value of your shares by presuming that the first shares you bought are the first you sold. But often the first shares you bought are those that have risen most in value, maximizing your tax liability.

Before selling any shares, figure your gain by averaging your purchase price and sale price and seeing if that would produce a lower liability. Just remember that once you adopt a method for figuring your tax liability for a particular fund, IRS regulations require that you stick with it.

Simple tax-planning measures such as these, combined with a little bit of luck in choosing solid-performing funds, can make a healthy difference in your investment returns. NB

To Your Health

Managing well includes paying attention to your own health and that of employees; here is advice to help you do that better.

By Peter Weaver

Consider The Alternative

Alternative medicine, which encompasses such practices as special diet, meditation, yoga, and support groups, is to various extents becoming integrated with mainstream medicine.

"We're finding clinical proof that combining nontraditional, supplemental treatment with traditional treatment has positive effects on a patient's quality of life and longevity," says Julia Rowland, director of psycho-oncology research at Georgetown University Medical School, in Washington, D.C.

Note that Rowland doesn't say "alternative" medicine. "It's a bad word choice," she maintains, "because it should be complementary to traditional medicine, not a substitute."

Bad word choice or not, the National Institutes of Health now has an Office of Alternative Medicine with a congressional mandate: "To facilitate the evaluation of alternative medical-treatment modalities to help integrate effective treatments into mainstream medical practice."

Medical researchers are studying the benefits of alternative or supplemental approaches. For example, the Preventive Medicine Research Institute, in Sausalito, Calif., conducted a recent clinical study that, according to its president, Dr. Dean Ornish, demonstrates that severe heart disease can be reversed by changing one's diet and lifestyle. The findings were published in the September issue of the *Journal of the American Medical Association.*

The institute's heart-disease patients were divided into two groups: experimental and control. The experimental patients went on a daily diet in which only 10 percent of calories came from fat (compared with the American Heart Association's recommended maximum of 30 percent); they did considerable exercise (mostly walking), yoga, and meditation; and they participated in a twice-weekly, professionally guided support group. Test results showed improvements in their cardiovascular functions, while patients in the control group, who had made no changes in their diets or lifestyles, did not show any such improvements.



PHOTO: GARY C. ETRA—PHOTOEDITORS

Support-group therapy *can improve both the length and the quality of a patient's life, researchers have found.*

"Participation in a support group," says Georgetown's Rowland, "not only improves quality of life but length of life." In a 10-year study conducted by Dr. David Spiegel, a Stanford Medical School professor of psychiatry, women with metastatic breast cancer who participated in support-group therapy had twice the survival time of women in the control (nonparticipating) group. Spiegel's findings were published in the British medical journal *Lancet* in 1989.

Experts urge caution in evaluating some of these alternative therapies. "Patients should be wary of therapies that make extravagant claims for the cure of cancer or other serious illnesses and [of] therapies that discourage using conventional medical treatment," warns Michael Lerner, author of *Choices in Healing.* He is president of Commonweal, a research institute in San Francisco specializing in health and environmental topics.

"Talk to your physician first," says Ellen Stoval, executive director of the National Coalition for Cancer Survivorship, based in Silver Spring, Md., "and if you don't find an open dialogue, keep searching for someone to talk about all the options."

Here are some resources to help you evaluate alternative therapies:

■ *Choices In Healing,* by Michael Lerner (MIT Press, $24.95). This 667-page book is an encyclopedia of nontraditional therapies and how they can be integrated with conventional medicine. The book can be ordered directly from the publisher by calling 1-800-356-0343.

■ *Dr. Dean Ornish's Program for Reversing Heart Disease* (Ballantine Books, $17.50). The author tells how to combat heart disease by changing your lifestyle. The text includes a dietary regimen, recipes, exercise programs, and guidance in meditation and joining others for support. For information on Ornish's Preventive Medicine Research Institute, call 1-800-328-3738.

■ The National Coalition for Cancer Survivorship. You can get help in finding local resources, people to talk to, and publications to read. For more information, call (301) 650-8868, or write: NCCS, 1010 Wayne Ave., Silver Spring, Md. 20910.

TOP-RATED BUSINESS PRODUCTS!

Nation's Business readers have selected their TOP 10 business products in the only way that counts... with their wallets! Through their purchases they've told us that these courses, documents, and strategies have helped them save time, generate income, and foster better customer and employee relations. In general, they've said that many of the products on the following pages have helped their businesses grow and prosper.

Listed below are the TOP 10 to serve as a guide for your own purchases. And we've introduced seven new products to our regular offerings, three of which are featured on this page. Remember that every product shown in the grouping has undergone rigorous screening before it appears in Nation's Business. Remember, too, that every product we offer carries our 30-DAY SATISFACTION GUARANTEED pledge: If for any reason you decide to return a product within 30 days of receipt, you'll receive a complete refund or cancellation of your credit card charge. Order your examination copies today!

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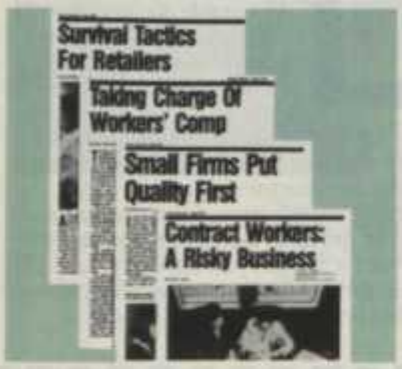
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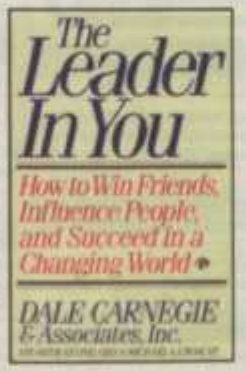
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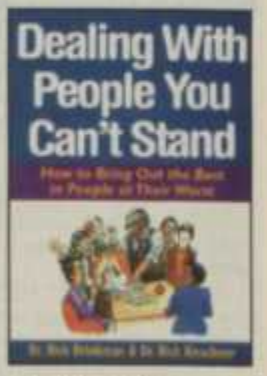


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Where I Stand

On Health Care And Medicare



Background: In the aftermath of last year's rejection of comprehensive health-care reform, proposals have been introduced in Congress to make it easier for individuals and small businesses to obtain medical insurance. Meanwhile, Congress is struggling to slow Medicare cost increases to help control federal spending. The following questions seek your views on these subjects.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers below and fax this page to (202) 463-5636.

1 **What do you see as the major problem that small businesses face regarding health insurance for their workers?**

1. Obtaining insurance at affordable prices
2. Significant premium increases once someone becomes seriously ill
3. Cancellation of policies on grounds that claims are too high
4. Meeting state mandates that specify conditions and illnesses that must be covered

2 **What insurance reform would be most helpful to small businesses?**

1. Requiring states to allow voluntary alliances or other pooling arrangements to obtain lower premiums
2. Limiting premium variations after someone becomes seriously ill
3. Prohibiting insurers from canceling policies except when premiums are not paid
4. Letting employees take insurance with them from job to job

3 **The "portability" feature in some reform proposals would let workers who change jobs retain their coverage without penalty for pre-existing medical conditions. How has lack of "portability" affected your firm?**

1. Can't hire new employees because of little turnover
2. Attractive prospects are reluctant to leave their current jobs
3. No impact

4 **One proposed health-care reform would let employees build IRA-like medical savings accounts that could be used to pay medical bills until high-deductible "catastrophic" insurance kicks in. How do you view this proposal?**

1. Like the idea and would contribute to employee accounts
2. Like the idea but would not contribute to employee accounts
3. Dislike the idea; prefer more-traditional insurance plans

5 **Medicare will run out of money in seven years, say the system's trustees. Which of the following reform options do you most prefer?**

1. Increase payroll tax (which pays hospital bills) and premiums (which help pay doctor bills)
2. Reduce payments to doctors and hospitals
3. Require beneficiaries to make larger co-payments
4. Raise eligibility age above 65
5. Offer financial incentives to beneficiaries to select lower-cost coverage, including HMOs or other managed-care plans

6 **Should Medicare be "means-tested" so that funds would be directed to low-income retirees who have no other way to pay doctor and hospital costs?**

1. Yes
2. No
3. Yes, but only if everyone would have a minimum level of benefits

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POLL RESULTS

Readers' Views On Job Training

Here are results of *Nation's Business*'s August Where I Stand poll, in which most respondents indicated that they believe skill levels of workers and job applicants are adequate at best:

JOB TRAINING

What level of skills are workers bringing to jobs in your business?

Very good	5%	Adequate	37%
Good	16	Deficient	42

How has the skill level of job applicants you see changed over the past three years?

Improved	7%	Declined	46%
About the same	47		

What is the most common shortcoming of job applicants you see?

Lack of specific technical skills	17%
Lack of basic reading and math skills	16
Inability to communicate well, orally and/or in writing	19
Poor attitude and work habits	43
Lack of previous work experience	5

How much negative financial impact has there been on your business because of inadequately trained workers?

Little or no impact	21%	Heavy impact	17%
Moderate impact	62		

How much retraining/education do you offer your current employees each year?

None	17%	Six to 10 days	15%
Less than a day	9	More than 10 days	26
Two to five days	33		

Who should have the primary responsibility for educating and training workers?

Businesses	26%
Public and private schools (including community colleges)	67
Government agencies	1
Outside suppliers and consultants	1
Industry/trade associations or local chambers of commerce	5

Who should pay for training workers?

Businesses seeking the skilled workers	37%
State or local government	13
Federal government	3
Workers themselves	47

Which of these would best improve education/training programs at the local level?

Publicly funded vouchers for government or private-sector training	23%
One-stop education/training and referral centers	27
Increased flexibility of state/local use of federal funds	37
No changes needed	13

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Experts answer our readers' questions about starting and running their businesses.

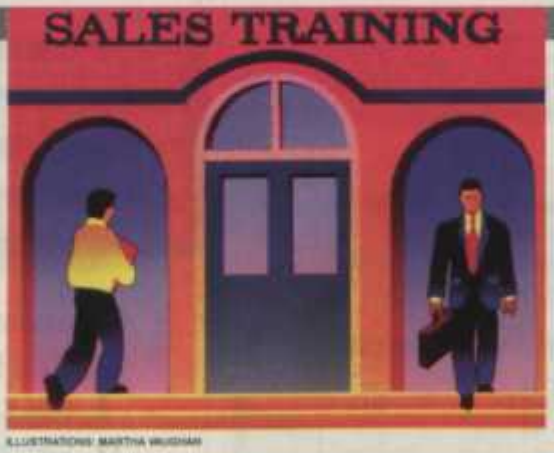
By Laura M. Litvan

WORKER TRAINING

Jump-Starting Sales

Our small company distributes hedge trimmers and other garden equipment to hardware stores, most of which are mom-and-pop operations. To build long-term relationships with these customers, we want our four salesmen to be perceived not just as order takers but also as business consultants.

Where can we find a training program that can give our sales staff insight into the day-to-day challenges of running a small retail business?
S.B., Malvern, Ark.



ILLUSTRATIONS/ MARTHA WILKINSON

Since it's generally easier to keep a customer than to find a new one, many firms constantly strive to create closer relationships with clients.

Your company appears representative of the increasing number of small firms that want salespeople to be viewed by customers as problem solvers who can grapple with their big-picture concerns, says Peter Bonner, senior vice president of the American Society for Training and Development, in Alexandria, Va.

Bonner and other training experts say it's important that you find a program tailored closely to your business situation. The training program then will make a lasting impression on your sales force.

Companies that specialize in sales training are listed in the Yellow Pages of your telephone book under Sales Training.

The American Management Association, in New York, is another excellent source of customized sales-training seminars. You can call the group at (212) 586-8100.

College and university business schools also offer sales-training courses that could be useful. Some schools even design study programs to meet the needs of particular businesses, says Charles Hickman, director of projects and services at the American Assembly of Collegiate Schools of Business, in St. Louis.

You can narrow your search for a sales-training program by using *Bricker's International Directory of University-Based Executive Programs*, published by Peterson's Guides Inc. This $325 publication is available at many business-school libraries.

Once you have identified what you think is a suitable training program, be sure to check references with other business owners who have used the program, Hickman suggests. "You don't want to jump at the first thing you hear about," he says.

While you're at it, you might want to contact Sales and Marketing Executives International. Last year, the Cleveland-based group began a certification program for sales representatives that might provide additional credibility with customers. The group can be reached at (216) 771-6650.

Also, the U.S. Chamber of Commerce, in Washington, D.C., has just launched the Small Business Institute, a training program that offers seven series of books tailored to various business situations, including sales. (See "A New Opportunity For Learning," on Page 51.)

Finally, Bonner suggests that your salespeople read *The One-to-One Future*, by Don Peppers and Martha Rogers (Currency Doubleday, $22). The book examines various approaches to building long-term ties to clients. ■

GETTING STARTED



Mexican Influence

Our Arkansas community has seen an influx of Mexican immigrants, and I would like to open a business that offers authentic Mexican goods to these local consumers. How do I locate the makers of a wide variety of Mexican products, including food items, music, and books?
M.E., Green Forest, Ark.

Call the Dallas office of the Trade Commission of Mexico at (214) 688-4095. The agency will fax you a list of manufacturers and their U.S.-based distributors, if any, including phone numbers.

Also, the U.S. Department of Commerce's trade hot line provides general information on importing products. The hot line's number is 1-800-USA-TRADE, or 1-800-872-8723.

Bottling Basics

I want to open a bottled-water business. Where can I get basic information to get me started?
J.F., Columbus, Ky.

The International Bottled Water Association sells a package of information to industry newcomers for $275. It includes U.S. Food and Drug Administration regulations, industry statistics, tips to help you start a company, six issues of *Bottled Water Reporter* magazine, and other resources. The association can be reached at 113 N. Henry St., Alexandria, Va. 22314-2973; (703) 683-5213.

All That Glitters

I need to find the names of jewelry manufacturers in the continental United States so I can order items for my new retail store. Can you help?
M.A., San Juan, Puerto Rico

Call the Manufacturing Jewelers and Silversmiths of America. If you know specifically what you need, the staff will supply you with member manufacturers' names and telephone numbers at no charge. Otherwise, the organization sells for $25 a 400-page directory of its members and the types of goods they furnish. Call the organization at 1-800-444-6572, or write the group at One State St., 6th Floor, Providence, R.I. 02908. ■

EMPLOYEE BENEFITS

By The Book

Does a company with fewer than 50 employees need to write an employee handbook?
V.H., Detroit

Even though your company is small, a handbook could be a useful way of communicating expectations to workers and establishing procedures for supervisors



to follow in dealing with employee grievances and other matters.

You can also use a handbook to outline your commitment to equal employment opportunity and intolerance of sexual harassment, says John Husband, a Denver attorney. Husband, a partner in the firm of Holland and Hart, says proof of formal policies can be important if your company is ever subjected to a discrimination lawsuit.

Moreover, if you fashion a set of policies and apply them consistently, you could be rewarded with a happier work force, says Barbara Hoffman, a Louisville, Ky., consultant who has helped several hundred employers develop handbooks. "The most productive ... happiest employees are those that know the rules of the game," she says.

Here's a sampling of the types of material, supplied by Hoffman, that companies typically include in their handbooks:

- The company's history and overall business goals.
- A statement that the handbook is not a binding contract and that the policies in it can be changed after the handbook is distributed.
- A statement of commitment to equal opportunity and mechanisms for reporting sexual harassment or other grievances to management.
- Basic policies related to employee career growth, including performance and salary reviews, promotions, and transfers. Also, basic information about employee benefits, such as health insurance, pensions, vacation time, sick days, and paid holidays.
- Discipline procedures.
- An explanation of steps that managers and employees must take to ensure a safe workplace.

Any handbook should be reviewed thoroughly by an employment-law attorney before it is printed, Husband says. He also offers this common-sense advice: Don't put anything in your handbook that you aren't willing to live by; deviating from the practices you've outlined can simply cause confusion. NB

HOW TO ASK

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What You Need To Know About Starting, Running, and Growing Your Business

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The Small Business Resource Guide

What You Need To Know About Starting, Running, and Growing Your Business



Nation'sBusiness

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Editorial

Plans For Market-Based Health Reform

The United States will see a significant health-care milestone this year: The nation's annual bill for medical services in 1995 will pass $1 trillion. That's up from $938 billion last year and $884 billion in 1993.

Those numbers show why medical-care costs remain a major concern of business, which pays a substantial share of the total through workers' employer-financed insurance coverage.

Business believes that the present health-care system is basically sound but could be improved through incremental reforms that would extend coverage while curbing costs.

The nation strongly rejected the proposed radical restructuring of its medical system in 1993, when President Clinton's plan for changing the way this country finances health care went down to well-deserved defeat.

The massive bureaucracy and mandatory costs that Clinton's plan would have imposed went beyond any rational definition of reform. Had the president prevailed, medical-care costs would be far higher than they are now.

During that debate, business took the lead in identifying the need for incremental, market-based changes that would:

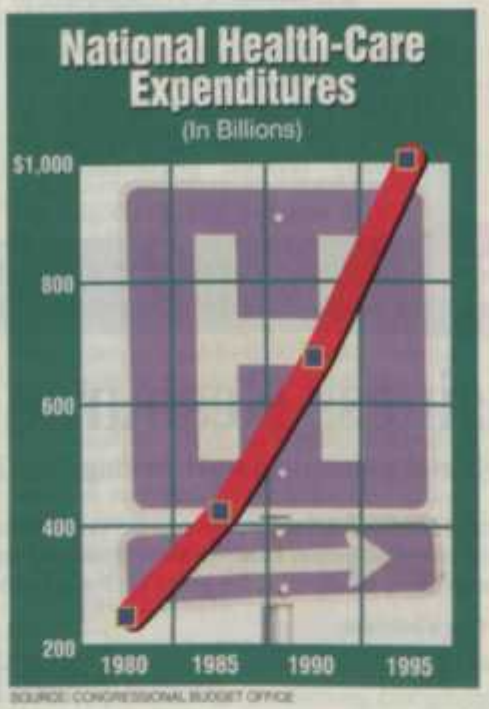
- Make it easier for smaller businesses to provide health-care insurance for employees.
- Help workers retain coverage when they change jobs.
- Limit the use of pre-existing medical conditions as a basis for denying health insurance to applicants.
- Achieve extensive savings through administrative improvements.
- Curb malpractice litigation that drives up medical costs for everyone.

Those policies were developed on behalf of business by the U.S. Chamber of Commerce as alternatives to the Clinton plan, and they remain appropriate goals for congressional action on health care. Congress is considering these options, or it plans to do so, as it again addresses this issue.

U.S. Chamber President Richard L. Lesher has told federal lawmakers that any new health-care legislation should neither "restrict the choice of coverage that the public now enjoys nor create an oppressive government bureaucracy."

Market-based health and Medicare reform proposals now dominate the congressional agenda. Two major approaches to health-care reform have gained the Chamber's support.

Rep. Harris W. Fawell, R-Ill., has proposed encouraging small employers to establish company-financed health-coverage plans under the Employee Retirement Income Security Act (ERISA). These self-insured arrangements are exempt from burdensome state regulation as well as from costly benefit mandates.



Fawell says his bill "builds on ERISA to give smaller employers the same economies of scale and freedom from excessive regulation that larger employers enjoy."

A second approach, sponsored by Rep. William M. Thomas, R-Calif., concentrates on the "job-lock" problem.

For some individuals today, a new job or a change of career is out of the question because they or their dependents have health conditions that existed before the desired change of employment. These "pre-existing" conditions might limit or bar coverage under a prospective new employer.

Thomas' proposal would limit the use of exclusions for pre-existing conditions when continuous coverage was maintained under a prior employer's group health plan without a substantial break in coverage. Sen. Nancy Landon Kassebaum, R-Kan., has introduced an expanded version of this concept in the Senate.

Business welcomes the evolution through which market innovations rather than government coercion have become the focal point of the debate over health care.

The prospect of constructive change that would expand coverage while curbing cost growth stands in marked contrast to the 1993 health-care debate, which threatened the viability of a health-care system that has served the nation long and well.

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The Business Advocate

SUPPLEMENT TO Nation's Business OCTOBER 1995

U.S. Chamber of Commerce

Chamber, Gingrich, Perot Urge Medicare Reform



House Speaker Newt Gingrich, R-Ga., center, 1992 presidential candidate H. Ross Perot, right, and Bruce Josten, U.S. Chamber senior vice president, discuss the need for reform of the Medicare system to keep it solvent at a Sept. 15 town hall meeting at the Chamber's headquarters in Washington. The meeting was broadcast nationwide by satellite to thousands of downlink sites.

House Speaker Newt Gingrich and Texas businessman H. Ross Perot outlined the fiscal problems facing the Medicare system and urged Americans to support reform at a recent town hall meeting at the U.S. Chamber of Commerce in Washington.

The Sept. 15 meeting was held before a live audience in the business federation's Hall of Flags and was broadcast via satellite to nearly 5,300 sites nationwide.

"You've got to stop the bleeding. We've got to come up with better ways to supply

Continued On Page 2A

■ Town Hall Meeting

Medicare Reform Urged

Continued From Page 1A

health care under [Medicare]," said Perot, a 1992 presidential candidate, in emphasizing the seriousness of the problems facing the system and the importance of preventing a crisis now.

Gingrich, R-Ga., explained the Republican plan for reform, which would give the nearly 32 million elderly and disabled people who now rely on the system several options for health-care coverage, including their current Medicare arrangement. The proposal would also help preserve the system's future solvency, Gingrich said.

We must "stop the bleeding [in the Medicare system]."
–H. Ross Perot

The House speaker emphasized that contrary to rhetoric that the GOP plan would cut Medicare spending, the seven-year plan would in fact increase annual Medicare spending per recipient from $4,800 now to $6,700 even as the number of Medicare users rises.

Medicare's hospital-insurance fund, which subsidizes hospital coverage for the elderly and the long-term disabled, will go broke by 2002 unless revenues are raised or spending is cut, according to the trustees of the Medicare Hospital Insurance Trust Fund. (See the chart on this page.)

The GOP plan would reduce the growth in Medicare spending from its current projected rate of 10.4 percent annually over the next seven years to about 6.5 percent. President Clinton's proposal to balance the federal budget, issued in June, called for reducing Medicare growth to 8.7 percent a year over the same period.

The GOP plan, which is the centerpiece of Republican efforts to balance the federal budget, would result in estimated savings of $270 billion over seven years. Clinton's plan would result in $60 billion in estimated savings over the same period.

"Before this year's out, we'll send a [Medicare-reform bill] down to the president," said Gingrich, who asked viewers to contact the White House to urge the president to sign the Republican legislation into law.

Under the GOP reform proposal, Medicare beneficiaries could set up tax-free medical savings accounts to pay for health care and to buy health policies to cover catastrophic costs. Their other choices would include receiving medical treatment from providers in health-maintenance organizations, through preferred-provider organizations, or from health-care professionals outside such organizations—the current Medicare arrangement.

The Republican plan, known as the Medicare Preservation Act, also includes medical malpractice reform.



The U.S. Chamber is part of the Coalition to Save Medicare, a group of businesses and organizations that are educating the public about the Medicare outlook. The coalition strongly supports reforming the Medicare system and is urging lawmakers to reduce the system's spending growth rate.

"We cannot stick our head in the sand while the health-care system for the elderly and future generations disappears," said Chamber President Richard L. Lesher in televised remarks opening the meeting.

The town meeting, moderated by the Chamber's senior vice president for membership policy, Bruce Josten, was one of several hosted by the business federation this year on critical public-policy issues.

The Medicare satellite broadcast was received at offices nationwide of the St. Louis investment firm Edward D. Jones & Co.; Wal-Mart stores across the country; several cable television systems, including New Jersey Cable Television, which has more than 1 million subscribers; NewsTalk TV, which has more than 13 million viewers; more than 100 chambers of commerce; and colleges, businesses, and several hospitals.

The U.S. Chamber is urging its members to ask their lawmakers to support reform of the Medicare system both to save it and to help balance the federal budget over the next seven years.

■ Spending



Sen. Richard C. Shelby, R-Ala., center, talks with Chamber President Richard L. Lesher, right, and Doug Loon, the Chamber's director of congressional affairs, about spending bills for fiscal 1996 and the pending budget battle. Shelby and Lesher appeared on the Chamber's "It's Your Business" public-affairs television show.

■ IBEX

Electronic Trade System Available

A new personal-computer-based electronic system to help companies locate, qualify, and negotiate domestic and international trade and investment opportunities is now available from the U.S. Chamber of Commerce.

Called IBEX—International Business Exchange—the computer software program links subscribers to a global network of computers. The system was developed by the Global Business Alliance and is the result of a partnership with AT&T, Dun & Bradstreet Information Services, GE Information Services, and SHL Systemhouse.

Here's how it works: A user enters into the system a confidential business profile and a specific offer to buy, sell, or invest. IBEX automatically identifies foreign or domestic counteroffers corresponding to the product, service, or investment being offered.

Parties to the transaction are alerted by fax and electronic mail and can negotiate terms of the transaction, check credit information, and close deals from their personal computers. They also can use the system to locate and negotiate for business services, such as trade financing, transportation, legal services, distribution, logistics, and even advice about partners in foreign markets.

The initial one-time subscription fee is $250. Users pay by function, not per minute, and costs range from $2 to $10 per function. While charges will depend on usage, the Chamber estimates that average monthly costs for active subscribers will be between $50 and $100.

Sponsored and marketed in the U.S. by the Chamber, IBEX will be sold through the Chamber's 215,000 business members, 3,000 state and local chambers of commerce, and 1,200 trade associations. Major business organizations in the U.S., Mexico, Canada, and Australia will manage national marketing programs for IBEX, which is available worldwide beginning Oct. 1. The U.S. Chamber's Mark Van Fleet, manager of the IBEX system, estimates that more than 20 countries will join the IBEX marketing team by June 1996.

To order or for subscriber information, call 1-800-537-IBEX (1-800-537-4239), or, in Washington, D.C., (202) 463-5665.

■ Business Education

Training Program Launched

The U.S. Chamber of Commerce is launching the Small Business Institute (SBI), a program designed to meet the pressing need for a simple, inexpensive way to educate employees in the essentials of operating a small business.

"There's a very, very large deficiency in training for small business," says Roger Jask, the Chamber's vice president for federation programs and services. "A lot of training has been developed in big-business concepts, but very little specifically for small business's needs." The new program is designed to fill that gap.

Through the SBI, the Chamber is making available to small businesses 35 books, all written with an eye toward the greatest possible clarity and immediate usefulness. There are five books under each of seven subject headings:

- Marketing and sales.
- Budget and finance.
- Legal issues.
- Human relations and communications.
- Improving productivity.
- Quality and customer service.
- Supervision/management/leadership.

The curriculum was shaped by a 14-member task force drawn from the Chamber's Small Business Council. The council recommends positions to the Chamber's board of directors on issues concerning small businesses.

In keeping with a council priority that the program be inexpensive, all the books cost under $20 each, and most cost $13.95 each. Each book will come with a test that any employee (or the small business's owner) can fill out and return to the SBI testing center. Successful test completion earns the employee "continuing education units," which the business owner can use as a measure of the employee's efforts to stay on top of his or her job.

"The test at the end will show the employer that the employee has gained a certain level of understanding," Jask notes, "rather than the employee's simply saying, 'Yes, I read the book. Yes, I watched the video.'"

For more information on the Small Business Institute's course offerings, call the Chamber's Federation Programs and Services Division at (202) 778-2401. To order the books, call 1-800-884-2880.

■ Internet

'ChamberMall' Goes On Line

The U.S. Chamber of Commerce has established a presence on the World Wide Web, the fastest-growing segment of the global network of computer networks known as the Internet.

The Chamber's Web site contains information about the products and services the organization has developed for its nearly 220,000 members, which are businesses, trade associations, and state and local chambers.



The site also serves as a doorway to the new ChamberMall of "storefronts"—the Internet term for sites offering information, products, and services—that have been established by chambers, associations, and companies worldwide.

For information about including your enterprise in the ChamberMall, which can cost as little as $125 a year for U.S. Chamber members, call (202) 416-1615.

The U.S. Chamber's Internet address is http://www.uschamber.org/chamber.

■ Business Ballot

Confidence In Economy Improves

Business's confidence in the economy increased in the latest bimonthly poll of members of the U.S. Chamber of Commerce after three consecutive periods of decline.

The Chamber's Business Confidence Index rose to 53.5 in August. It was 52.2 in June, 56.6 in April, and 59.0 in February. The all-time high for the index—65.2—was in December 1994. (See the chart.)



The index was developed by the Chamber and is based on the results of three economic questions asked consistently in each Business Ballot poll. The poll asks for Chamber members' six-month outlook for their firms' sales and employment and for the economy in general.

"The slight improvement in the latest Business Confidence Index is consistent with other recent data indicating that the steep second-quarter drop in economic activity has largely run its course," said Martin A. Regalia, U.S. Chamber vice president and chief economist. "The economy is now moving more sideways than forward, but we expect it to pick up some momentum now that the Federal Reserve has stopped raising interest rates."

Just over 22 percent of respondents to the latest poll said they expect the economy to improve over the next six months, up from 19.5 percent in June. Almost 28 percent, however, expect it to get worse. Still, that number was down from the 34 percent in June who thought the economy was headed down. Nearly 50 percent expect no change in the economy.

While respondents' economic outlook improved, their optimism about their own firms' outlook fell. Only 38 percent said they expect sales to increase over the next six months, compared with 39.1 percent in June; 19.3 percent said they expect sales to go down, the same percentage as in June. Just under 43 percent believe their sales will remain steady.

Hiring plans, according to the August poll, improved only slightly from June, with 21 percent of respondents saying they expect to add employees over the next six months, compared with 20.6 percent in the June poll. Thirteen percent expect to cut jobs, compared with 12.9 percent in June.

Expecting no change were 66 percent of respondents.

Be sure to respond to this month's Business Ballot in the polybag with your Nation's Business *and* The Business Advocate.

■ Poll Results

Cut Spending And Taxes Now, Say Respondents

Business made it clear that it wants a balanced federal budget sooner rather than later in the latest poll of U.S. Chamber of Commerce members.

More than 88 percent of the respondents to the August Business Ballot said they prefer the GOP plan to balance the budget in seven years over the proposal by President Clinton, which would balance the budget in 10 years. Just 8 percent said they prefer the Clinton plan; 3.7 percent didn't like either proposal.

On the issue of tax cuts, 81.7 percent said they prefer the GOP plan to reduce federal levies by $245 billion in seven years over the president's plan. Favoring Clinton's proposal, which calls for tax cuts of $105 billion over the same period, were 11.5 percent of respondents. Nearly 7 percent said they prefer neither plan.

Between the GOP and Clinton plans to cut spending, the Republican proposal again won out. More than 90 percent of respondents said they prefer the GOP plan to cut federal spending by $983 billion by 2002, compared with 7.2 percent who prefer Clinton's plan to cut $520 billion by that time. Just 2.3 percent said they do not prefer either plan.

The 1996 federal fiscal year begins Oct. 1. Congress is expected to send a budget bill to the president soon.

■ Praise



Rep. John A. Boehner of Ohio, chairman of the House Republican Conference, recently thanked the U.S. Chamber for its support of the GOP's pro-business agenda. "On behalf of the House Republican leadership," wrote Boehner in a letter to Chamber Congressional Affairs Vice President Lonnie Taylor, "I want to extend my sincere thanks to you and the U.S. Chamber of Commerce for all you have done to help us bring about real change in Washington in the first seven months of this Congress. Thanks for being part of our mission to restore the American dream."

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What Will You Do When Your Personal Assets Are Seized to Satisfy A Judgment Against Your Corporation?

All your many tax benefits of owning a corporation could be wiped out overnight. How? The I.R.S. could visit you and claim you have not kept proper corporate minutes. You could lose the very tax benefits to which the law entitles you.

Here are some recent "horror stories" direct from actual court cases:

Joseph P. obtained a loan from his corporation without the proper loan documents and corporate minutes. As a result, the court required him to pay additional taxes of $27,111.60. He narrowly escaped a penalty of $13,555.80.

B.W.C., Inc. was forced to pay $106,358.61 of accumulated earnings tax because its corporate minutes were incomplete. They expressed "no specific, definite, or feasible plans" to justify accumulating earnings, according to the court.

Keeping records has always been a bother, and an expensive one, especially for small companies. Most entrepreneurs do not like to spend time keeping records. Probably because no one ever became rich by keeping records. And in a small, one-person business, it seems downright silly to keep records of stockholder meetings and board of directors meetings...keeping minutes...taking votes...adopting resolutions...isn't it all just a waste of time?

Not if you ask any of the thousands of entrepreneurs who have lost fortunes because they failed to keep records. You should look at corporate recordkeeping chores this way: *It's part of the price you pay to get the tax benefits and personal protection from having a corporation.*

A corporation does not exist except on paper, through its charter, by-laws, stock certificates, resolutions, etc. Anything you do as an officer or director has to be duly authorized and evidenced by a resolution of the stockholders or the board, or by both in some cases. It makes no difference if there is only one stockholder or one million stockholders. The rules are basically the same.

You can hire a lawyer, like the big companies do, and pay $100 or more just to prepare one form. But you may need, at minimum, a dozen or more documents to keep your corporation alive and functioning for just one year. This type of work is the bread and butter for many corporation lawyers. Most of the work can be done by their secretaries, yet they will charge you enormous sums because they know how important these forms are.

There is now a way for you to solve your corporate recordkeeping problems. Without a lawyer, without paying big fees, and without spending a lot of time. Virtually all the forms you will ever need are already compiled in **The Complete Book of Corporate Forms** by Ted Nicholas. Nicholas also created the highly popular computer diskettes for **The Complete Book of Corporate Forms**. These diskettes can save you hours of valuable time—and can save you literally thousands of tax dollars each year.

But forming a corporation is only the first step toward building "the ultimate tax shelter." Through carelessness or neglect, many people are denied their rightful benefits from owning their own corporation. Ted Nicholas saw that many business owners needed more help *after* they incorporated.

And so, he prepared **The Complete Book of Corporate Forms**. Everything is simplified. Either you or your secretary can complete any form in minutes. All you do is fill in a few blanks and insert the completed form in your record book. When you own this book, you are granted permission to reproduce every form. If you are behind on keeping your corporate records, now you can catch up in no time. Just complete a few blanks for the things you've already done in the company. It's legal and it works. Best of all, the price is less than you would pay a lawyer for one hour of counseling.

Here is just a sample of what you'll receive:

Minutes of Stockholders Meetings
Minutes of Directors Meetings
Minutes of Special Meetings
(Any of these can be used if you are the only stockholder and director.)
Amendments to Articles of Incorporation
Amendments to By-Laws

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■ Action Needed

Rule-Reform Bill At Critical Stage

The U.S. Chamber of Commerce is urging senators to consider again legislation to reform the federal rule-making process before the end of the year after the Senate failed to end debate on a bill earlier.

In late July, the Senate voted three times to cut off debate on a comprehensive reform measure (S. 343) sponsored by Majority Leader Robert Dole, R-Kan. The votes were 48-46, 53-47, and 58-40 to end the debate and bring the bill to the floor for a final vote. Sixty votes are needed to end such prolonged debates, known as filibusters.

The House approved a reform bill in early March that was strongly backed by the Chamber. That measure includes a provision that would reauthorize and strengthen the Regulatory Flexibility Act. The law requires federal agencies to examine a proposed rule's effect on small business and to rewrite the regulation if it would have a significantly adverse impact. Under the House-passed measure, small firms could sue in federal court to ensure enforcement of the statute.

The legislation would also require that agencies assess the relative risks of health, safety, and environmental rules costing $25 million or more per year.

In addition, it would require regulators to conduct cost-benefit analyses of all rules with expected economic impacts of $25 million or more.

The Senate bill is similar to the House-passed measure. It would apply to most regulations costing $100 million or more a year.

An amendment sponsored by Sens. Paul Coverdell, R-Ga., and Sam Nunn, D-Ga., that was added to the bill would require federal regulatory agencies to conduct cost-benefit analyses and risk assessments on any rules that trigger a review under the Regulatory Flexibility Act.

The Dole bill also provides a review process for existing rules and would allow public petitions of federal agencies to conduct such reviews. It also would require the Small Business Administration to petition for reviews of rules that are particularly onerous to small business.



U.S. Chamber board member and small-business owner Scott Holman, at lectern, urges the Senate to pass regulatory reform as, left to right, Sens. Paul Coverdell, R-Ga., Christopher Bond, R-Mo., and Don Nickles, R-Okla., look on.

Call your senators immediately and urge them to support the Dole regulatory reform bill. Dial the Capitol switchboard at (202) 224-3121.

■ International



Dennis W. Sheehan, left, 1995-96 U.S. Chamber chairman, recently met with Mexican President Ernesto Zedillo in Mexico City to discuss trade issues and the North American Free Trade Agreement. Zedillo will be at the Chamber Oct. 11 to address business leaders.

■ Legislation

Estate Tax Changes Urged

A measure to reduce estate and gift taxes should be included in the tax package being crafted as part of the budget reconciliation bill, the U.S. Chamber of Commerce has told House and Senate lawmakers.

The reconciliation bill is expected to be voted on in the coming weeks. The budget outline adopted earlier by Congress called for $245 billion in unspecified tax cuts over seven years.

The Chamber is backing slightly different Senate and House bills—S. 1086, introduced by Majority Leader Robert Dole, R-Kan., and H.R. 2190, sponsored by Rep. Jim McCrery, R-La.—that would reform the Internal Revenue Code related to estate taxes.

Both measures would exempt from estate and gift taxes the first $1.5 million in value of a family-owned business that is passed to an heir, plus 50 percent of the value above that amount. The House bill also would index the $1.5 million exemption amount annually for inflation.

Under current inheritance-tax law, estates valued over $600,000 are subject to a maximum tax rate of 55 percent on the amount exceeding $600,000. A taxpayer may transfer $600,000 worth of property free of taxes during his or her lifetime or at death. A married couple may transfer $1.2 million.

The House and Senate measures would retain the $600,000 exclusion for personal and business assets.

Call your senators and representative immediately and urge them to include S. 1086 and H.R. 2190 in the budget reconciliation tax package. Dial the Capitol switchboard at (202) 224-3121.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

GAIN Members Offer Views On Upcoming Issues

Opinions Will Help U.S. Chamber Shape Policies, Refine Legislative Priorities

The overwhelming majority of members of the U.S. Chamber's Grassroots Action Information Network—GAIN—want legislative, regulatory, and tax reforms to create a less intrusive federal government and to foster sustained economic growth, according to a recent survey.

The survey of GAIN's nearly 43,000 members, conducted in August, asked about public-policy issues likely to be considered by the 104th Congress during the rest of 1995 and in 1996. Congress is currently grappling with some of the most complex issues of the year.

Members' views have always been essential to Chamber policy-making, but assessing business sentiment more frequently is even more important today, says Bruce Josten, the Chamber's senior vice president of membership policy. Improvements in communications capabilities, combined with the intensity of Republican congressional leaders' efforts to shift the direction of government in many areas, are boosting the importance of business involvement in the policy process, Josten says.



Following are the results of the recent GAIN survey. (In some cases, the responses do not add up to 100 percent because some respondents did not answer all of the questions.)

I. Economic Policy

- Should the current income-tax system be replaced with some other form of tax (i.e., flat tax, value-added tax, national retail sales tax, savings-exempt income tax)?

  78% Yes 7% No 14% Undecided

- When should Congress address the pending insolvency of the Social Security system?

  85% Now 13% Before the year 2000 1% After the year 2000

- How important are each of the following tax issues to the financial success of your organization?

  Capital-gains tax reduction
  53% Very important 33% Moderately important 14% Not important

  Clarification of the definitions of independent contractors/employees
  38% Very important 40% Moderately important 21% Not important

  Expansion of home-office deductions
  21% Very important 34% Moderately important 45% Not important

  Expansion of IRAs
  51% Very important 37% Moderately important 11% Not important

  Extension or modification of the research and experimentation credit
  17% Very important 35% Moderately important 47% Not important

  Increased expensing allowance for equipment purchases
  61% Very important 32% Moderately important 6% Not important

  Prompt ratification of income-tax treaties
  28% Very important 42% Moderately important 23% Not important

  Reform of the estate and gift tax
  55% Very important 31% Moderately important 13% Not important

  Reform of the alternative minimum tax
  35% Very important 46% Moderately important 16% Not important

  Reform of foreign tax provisions (i.e., transfer pricing, tax credits)
  16% Very important 33% Moderately important 48% Not important

  Simplification of IRS tax and wage reporting requirements
  73% Very important 23% Moderately important 3% Not important

  S corporation reform
  33% Very important 37% Moderately important 26% Not important

- After the federal budget deficit has been addressed, which of the following problems should the U.S. government focus on next?

  57% Current income-tax system
  29% Insolvency of Social Security
  13% Lack of savings and investment

II. Education And Training

- Should there be tax and other incentives to employers who provide needed, competitive training for employees?

  66% Yes 18% No 15% Undecided

- Pending legislation would consolidate federal education and training programs into block grants to the states. Should the private sector be centrally involved in local programs that emanate from block grants?

  69% Yes 8% No 22% Undecided

- Should vouchers for education and training under federal programs be provided to employers and employees?

  48% Yes 21% No 29% Undecided

- Should there be tax incentives for businesses that hire welfare recipients off the public welfare roles?

  62% Yes 22% No 15% Undecided

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, U.S. Chamber specialists on legislative and regulatory issues provide activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how to become a member of this network, call (202) 463-5604.

III. Environment And Resources

- Would you favor government compensation to private-property owners who suffer substantial loss of property value due to regulatory "takings," even if this could result in large federal expenditures?
  61% Yes 15% No 22% Undecided
- Would you accept even more stringent environmental, health, and safety standards based on risk assessment if the federal government had cooperative cost-sharing and less of a command-and-control, one-size-fits-all approach?
  45% Yes 32% No 22% Undecided
- Would you support mandatory self-audits of your compliance with federal environmental, health, and safety regulations if you weren't fined for self-reporting violations?
  59% Yes 19% No 21% Undecided

IV. Health Care

- Congress should concentrate on improving our existing health-care system through targeted reforms, rather than on replacing it with a massive government health-insurance program.
  90% Agree 4% Disagree 6% Not sure
- Should government health coverage (Medicare/Medicaid) be replaced by vouchers for individuals to purchase private health coverage?
  45% Yes 18% No 36% Undecided
- Congress should promptly approve legislation to allow unincorporated businesses and the self-employed to deduct 100 percent of their health-insurance costs, the same deduction that all corporations currently receive.
  90% Agree 3% Disagree 6% Not sure

V. International Policy

- Do you favor expansion of the North American Free Trade Agreement (NAFTA) to other countries in the Western Hemisphere?
  47% Yes 22% No 30% Undecided
- Do you support continuing trade-barrier reductions under the World Trade Organization (WTO), the successor organization to the General Agreement on Tariffs and Trade (GATT)?
  47% Yes 14% No 37% Undecided
- The United States should abandon policies that seek to control U.S. exports to or U.S. investment in foreign countries when our competitor nations are not maintaining similar policies.
  60% Agree 12% Disagree 27% Not sure
- The United States should continue to take action under its own trade laws to combat foreign unfair trade practices in cases where international agreements and organizations have failed to achieve that result.
  82% Agree 3% Disagree 13% Not sure

VI. Regulatory Impediments

- Should all federal regulations automatically expire after a certain period of time—unless specifically reauthorized—in order to force Congress and federal agencies to review the merits and effectiveness of each regulation?
  85% Yes 6% No 8% Undecided

VII. Telecommunications And Transportation

- Do you believe telecommunications and technology applications can help you solve some of your business problems, such as overhead costs, employee training, and customer relations?
  56% Yes 22% No 21% Undecided
- The advancements in communications (satellites, new software, linking of networks, etc.) are important to small businesses and help them to reach new markets and compete more effectively in the marketplace.
  71% Agree 8% Disagree 21% Not sure
- How important is a modern transportation infrastructure to your company?
  43% Very important 34% Moderately important 21% Not important
- Where should primary responsibility for developing an advanced transportation infrastructure be placed?
  38% In a cooperative federal, state, and local effort
  23% In the private sector
  37% In a government and private-sector partnership

VIII. Work Force, Labor, And Benefits

- Congress should pass legislation completely revamping the 1970 Occupational Safety and Health Act to make it easier to comply with and to make the Occupational Safety and Health Administration (OSHA) more of a training/consulting agency rather than an enforcement agency.
  88% Agree 4% Disagree 7% Not sure
- Should federal labor laws be amended to permit employers to grant compensatory time off to employees who work over 40 hours per week, instead of requiring overtime pay (time-and-a-half)?
  73% Yes 13% No 13% Undecided
- Should pension laws be simplified?
  88% Yes 1% No 10% Undecided

Chamber-Backed Senate Bill Would Correct Problems With Wetlands Regulations

The U.S. Chamber of Commerce is pressing the Senate Environment and Public Works Committee to consider a measure to provide private-property owners with relief from federal wetlands regulations.

The current federal system for regulating wetlands has grown out of control and created an enormous burden for private landowners nationwide, according to Sally Jefferson, associate manager of domestic policy for the U.S. Chamber.

Originally, Section 404 of the 1972 Clean Water Act, which deals with wetlands, was intended to establish a regulatory program covering specifically the "discharge of dredged and fill material" into navigable U.S. waters. Over the years, however, agency interpretations and judicial decisions have turned the program into an operation for issuing federal permits covering a broad range of activities affecting 75 million acres of private property.

Permit applications typically take a year or longer to process and may cost thousands of dollars as a result of onerous paperwork requirements and bureaucratic delays. At any time during this lengthy process, the Environmental Protection Agency or the Army Corps of Engineers can deny the permit. No appeals process is provided apart from the court system.

Sens. Lauch Faircloth, R-N.C., and J. Bennett Johnston, D-La., are sponsoring legislation, the Wetlands Regulatory Reform Act (S. 851), to correct these problems. The Senate Environment and Public Works Subcommittee on Clean Air, Wetlands, Private Property and Nuclear Safety, which Faircloth chairs, was scheduled to vote on the bill in September.

GAIN UPDATE

The legislation would ensure that only wetlands are regulated. It recognizes that such lands have different values and functions and would provide protection for wetlands that provide the most ecological value, such as flood control, species habitat, and erosion control. The bill would also streamline the process for issuing permits and provide for an administrative appeals process. In addition, the legislation would allow states to take over the regulatory program.



The Faircloth-Johnston measure is similar to wetlands reform provisions included in the Clean Water Act Amendments (H.R. 961) adopted 240-185 by the House on May 16.

Faircloth is seeking to incorporate S. 851 into Senate legislation to reauthorize the Clean Water Act. One of the biggest challenges to this effort will be overcoming the objections of Sen. John H. Chafee, R-R.I., chairman of the full Environment and Public Works Committee. Chafee supports the existing wetlands program and has been reluctant to reauthorize the Clean Water Act this year.

To encourage Senate action, the House passed wetlands provisions in a bill establishing spending levels for fiscal 1996 for the Veterans Administration, Department of Housing and Urban Development, and the EPA. Those provisions would limit funds for wetlands and other clean-water programs until the Clean Water Act is reauthorized by Congress.

The Chamber strongly supports the wetlands reforms provided in S. 851 and the House-passed Clean Water Act Amendments and is working to ensure reauthorization of the Clean Water Act this year.

Contact your senators and urge them to co-sponsor S. 851, the Wetlands Regulatory Reform Act. Call the Capitol Hill switchboard at (202) 224-3121, or write your senators at U.S. Senate, Washington, D.C. 20510.

Chamber Pushes Role For Key State And Local Chambers In Job-Training Legislation

The U.S. Chamber of Commerce has succeeded in having language added to a House job-training bill that would promote state and local chambers as one-stop shops for career training.

The measure, similar to legislation in the Senate, would consolidate scores of federal job-training programs into a new comprehensive work-force development system at the state and local levels.

The House and Senate bills are awaiting floor action after having been approved recently by the Economic and Educational Opportunities Committee and the Labor and Human Resources Committee, respectively.

The House bill, sponsored by Rep. William F. Goodling, R-Pa., and known as the Consolidated and Reformed Education, Employment, and Rehabilitation Systems Act (CAREERS—H.R. 1617), would turn about 100 federal education and training programs into four block grants to the states. The block-grant categories include youth work-force preparation, adult training, vocational rehabilitation, and adult literacy.

Under the bill, 80 percent of the block-grant funds would be sent to local communities under the direction of local work-force development boards composed primarily of business leaders. Local boards would develop local work-force development plans, select and monitor the performance of local service providers, establish and monitor one-stop career centers, and have general oversight and budget authority over the local work-force development system.

H.R. 1617 also would enable local chambers of commerce and small businesses to operate one-stop career centers, which would provide a single point of entry into community-based work-force development systems for all individuals seeking job placement, counseling, and referral services. Career centers also would make available federally funded vouchers for certified education and training programs.

The Senate bill, sponsored by Sen. Nancy Landon Kassebaum, R-Kan., would consolidate up to 100 federal training programs and combine them into a single block grant to the states.

Kassebaum's Workforce Development Act would also require states to devote 25 percent of the grant to basic, vocational, and adult education and 25 percent to establish a one-stop delivery system. The remaining 50 percent could be used as states deemed appropriate, depending on their particular work-force development needs.

The House and Senate bills would create a comprehensive, integrated labor-market information system to ensure that work-force development programs are related to skills needs in local and regional labor markets. This enhanced system would be established using the latest forms of technology.

The Senate bill already recognizes local chambers as organizations that would provide key input into and possibly operate the new information systems. But the Chamber is working with Senate staff members to ensure that small businesses and local chambers of commerce will be able to operate the one-stop centers.

Just before the summer recess, the Kassebaum bill was merged into the Senate's welfare reform proposal, which was expected to be debated on the Senate floor in mid-September. The Chamber is urging lawmakers to approve the welfare-reform bill. The House also was expected to consider its job-training consolidation bill in September or October.

"The current federal system for education and training is fragmented and duplicative, often failing to provide workers and employers with the fast and effective training and placement services they need," said Jill Scheldrup-Stephens, director of policy development for the U.S. Chamber's Center for Workforce Preparation.

The General Accounting Office reports that there are more than 150 federal education, training, and employment programs dispersed among 14 federal agencies and operating at a cost of $25 billion per year.

"The system is in need of an overhaul," Scheldrup-Stephens said. "Individuals looking for help in finding jobs face a duplicative tangle of programs, services, and rules. Students, workers, and the unemployed have a difficult time getting information on the benefits and services that are available, where they can get high-quality training, and what they need to know to find and hold jobs and build sustainable careers."

Business's Help Is Needed To Revive Senate Regulatory-Reform Measure

The U.S. Chamber of Commerce is urging its members to help revive a regulatory-reform bill in the Senate.

Proponents of the bill, introduced by Majority Leader Robert Dole, R-Kan., failed three times in late July to cut off debate so that a final vote could be taken on the legislation. (For the bill's details, see Page 11A.) The third attempt to end the filibuster, which came shortly before the Senate recessed for a nearly monthlong summer break, was defeated on a vote of 58-40. Sixty votes are need to end a filibuster.

Listed below is the third vote to cut off debate. If your senators voted to end the filibuster, thank them. If they voted to continue debate, express your disappointment. No matter how they voted, urge them to bring the measure up again this year. The address is U.S. Senate, Washington, D.C. 20510.

Senate Regulatory Reform Vote

Voted To End Debate

ALABAMA
Heflin
Shelby

ALASKA
Murkowski
Stevens

ARIZONA
Kyl
McCain

COLORADO
Brown
Campbell

DELAWARE
Roth, William

FLORIDA
Mack

GEORGIA
Coverdell
Nunn

IDAHO
Craig
Kempthorne

INDIANA
Coats
Lugar

IOWA
Grassley

KANSAS
Dole
Kassebaum

KENTUCKY
McConnell

LOUISIANA
Breaux
Johnston

MAINE
Cohen
Snowe

MICHIGAN
Abraham

MINNESOTA
Grams

MISSISSIPPI
Cochran
Lott

MISSOURI
Ashcroft
Bond

MONTANA
Burns

NEW HAMPSHIRE
Gregg
Smith, Robert C.

NEW MEXICO
Domenici

NEW YORK
D'Amato

NORTH CAROLINA
Faircloth
Helms

OHIO
DeWine

OKLAHOMA
Inhofe
Nickles

OREGON
Hatfield
Packwood

PENNSYLVANIA
Santorum
Specter

RHODE ISLAND
Chafee

SOUTH CAROLINA
Thurmond

SOUTH DAKOTA
Pressler

TENNESSEE
Frist
Thompson

TEXAS
Gramm
Hutchison

UTAH
Bennett
Hatch

VERMONT
Jeffords

VIRGINIA
Warner

WASHINGTON
Gorton

WYOMING
Simpson
Thomas

Voted To Continue Debate

ARKANSAS
Bumpers
Pryor

CALIFORNIA
Boxer
Feinstein

CONNECTICUT
Dodd
Lieberman

DELAWARE
Biden

FLORIDA
Graham

HAWAII
Akaka

ILLINOIS
Moseley-Braun
Simon

IOWA
Harkin

KENTUCKY
Ford

MARYLAND
Mikulski
Sarbanes

MASSACHUSETTS
Kennedy
Kerry, John

MICHIGAN
Levin

MINNESOTA
Wellstone

MONTANA
Baucus

NEBRASKA
Exon
Kerrey, Bob

NEVADA
Bryan
Reid

NEW JERSEY
Bradley
Lautenberg

NEW MEXICO
Bingaman

NEW YORK
Moynihan

NORTH DAKOTA
Conrad
Dorgan

OHIO
Glenn

SOUTH CAROLINA
Hollings

SOUTH DAKOTA
Daschle

VERMONT
Leahy

VIRGINIA
Robb

WASHINGTON
Murray

WEST VIRGINIA
Byrd
Rockefeller

WISCONSIN
Feingold
Kohl

Voted Present

RHODE ISLAND
Pell

Did Not Vote

HAWAII
Inouye

Victory

Striker Order Blocked



In a big legal victory for business, the U.S. Chamber of Commerce has stopped the enforcement of the Clinton administration's executive order that bars government contractors from hiring permanent replacements for striking workers.

"We have effectively blocked this blatantly political executive order," said Stephen A. Bokat, the Chamber's general counsel.

The victory came July 31, when a federal district court judge agreed with the Chamber and other business groups that the order would harm businesses that contract with the federal government.



The Chamber and the other groups filed a suit in mid-March in the U.S. District Court for the District of Columbia asking for an immediate injunction against the order and requesting a ruling on its constitutionality.

"The irreparable injury claimed by plaintiffs from not granting such a stay [of the order] will far outweigh any loss to be suffered by the government or the public by granting it," said the judge.

While agreeing with the Chamber's position on one hand, the court rejected the organization's arguments about the constitutionality of the order. The Chamber's litigation center has appealed that part of the decision to the U.S. Court of Appeals for the District of Columbia.

The Chamber and several other business organizations have argued that the president has no authority under the Constitution or through Congress to "regulate the use of economic weapons in the collective-bargaining process or to punish federal contractors for hiring replacement workers."

The order, therefore, violates the Constitution's separation-of-powers doctrine, the groups contend.

They also argue that the order violated the National Labor Relations Act (NLRA) and the Labor Management Relations Act (LMRA). The NLRA allows employers to hire permanent replacements for economic strikers, and the LMRA gives the National Labor Relations Board the exclusive power to administer and enforce the NLRA.

President Clinton signed the executive order on strikers March 8, and it took effect immediately. The order prohibited federal agencies from contracting with companies that have hired replacement workers for employees—either union or nonunion—who strike over economic conditions, such as wages and benefits. It applied to firms receiving federal contracts of more than $100,000.

The district court in early May had ruled that because no contractor had yet been harmed—or barred from receiving contracts—by the order, the case was not "ripe" for review. It did not consider the Chamber's constitutional challenges.

The Chamber appealed that decision to the court of appeals, which in late June ordered the district court to review the case.

In related action, the House recently adopted an amendment to a fiscal 1996 appropriations bill that would prohibit the Department of Labor from using funds to enforce the executive order regarding strikes. The amendment was made to the appropriations bill for the departments of Labor, Health and Human Services, and Education, and related agencies.

The Senate Appropriations Committee, at press time, had yet to act on the appropriations bill for those agencies, and it was uncertain whether a similar amendment would be included.

In mid-March, Senate proponents of a Chamber-backed measure to overturn the executive order fell two votes short of the 60 necessary to cut off a prolonged debate and bring the measure up for a final vote.

Tax Reform



Jack Kemp, left, chairman of the National Commission on Economic Growth and Tax Reform, and Bruce Josten, senior vice president of the U.S. Chamber, talk before attending a meeting on reforming the federal tax system. The commission met at the Chamber to take public comments on reform proposals. Kemp is a former housing and urban development secretary and a former congressman.

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Legislation

Chamber Backs Drilling Proposal

The U.S. Chamber of Commerce is urging Congress to open a small section of the Arctic National Wildlife Refuge in Alaska to oil and gas exploration.

Oil and gas found on the refuge, which the federal government owns, could generate an estimated $1.3 billion in tax revenue over five years for the U.S. treasury.

The U.S. Interior Department, which oversees the refuge, estimates that as much as 9.2 billion barrels of oil and gas are recoverable from the area.

The Chamber is supporting proposals sponsored by Alaska Republicans Sen. Frank H. Murkowski and Rep. Don Young that would allow oil and gas exploration and drilling on about 1.5 million acres of the nearly 19 million-acre refuge in the far northeastern part of Alaska. Only about 12,000 acres of land would be affected by drilling, say the measures' proponents.

Murkowski and Young are working to add their measures to the House and Senate budget reconciliation bills. Those bills will detail how Congress will meet the goals outlined in the fiscal 1996 budget resolution approved earlier this year by Congress.



Businessman Russell E. Ginn testified on behalf of the Chamber.

The fiscal year begins Oct. 1. Whether Congress would meet that deadline for approving a budget reconciliation bill was uncertain at press time.

In testimony on the Arctic wildlife refuge before a congressional panel, Chamber member Russell E. Ginn, executive vice president of Tom Wheatley Valve Co., in Texas, said the refuge could provide a significant new pool of energy resources for the country.

Ginn, whose company manufactures high-pressure valves for the oil and gas industry, said government and private forecasters project that between 250,000 and 735,000 American jobs could be created as a result of exploration and drilling.

New U.S. oil and gas production would also help boost the oil and gas industry, which has declined over the past 10 years, hurting the U.S. economy and costing American jobs, he told the Senate Committee on Energy and Natural Resources, which Murkowski chairs. Many oil and gas firms, said Ginn, have had to move their operations overseas.

Call your lawmakers immediately and urge them to support oil and gas leasing and development in the Arctic wildlife refuge. Senators and representatives may be reached through the Capitol switchboard at (202) 224-3121.

Farm Policy



Agriculture Secretary Dan Glickman, right, talks with Philip B. Fletcher, chairman of the U.S. Chamber's agriculture policy committee. Glickman met with the panel to discuss the Clinton administration's farm policy and the 1995 farm bill, which Congress is considering.

Chamber Officers

Nominating Panel Elected By Board

The committee that will nominate the 1996-97 officers of the U.S. Chamber of Commerce has been elected by the Chamber's board of directors.

Committee members are Bruce D. Cowen, president, TRC Companies, Inc., Windsor, Conn.; David R. Goode, chairman, president, and CEO, Norfolk Southern Corp., Norfolk, Va.; Ivan W. Gorr, former chairman and CEO of Cooper Tire and Rubber Co., Findlay, Ohio; Barbara B. Grogan, president, Western Industrial Contractors, Inc., Denver; William G. Little, president, Quam-Nichols Company, Inc., Chicago; and H. William Lurton, former chairman and CEO of Jostens, Inc., Minnetonka, Minn.

Also elected to the committee were Margie B. Mills, president and chief operations officer, First American Health Care, Inc., Brunswick, Ga.; Donald E. Moffitt, chairman, Consolidated Freightways, Inc., Palo Alto, Calif.; James E. Perrella, chairman, president, and CEO, Ingersoll-Rand Co., Woodcliff Lake, N.J.; and C.J. Silas, former chairman and CEO of Phillips Petroleum Co., Bartlesville, Okla.

The committee will also nominate directors to fill terms that begin in 1996 and interim vacancies.

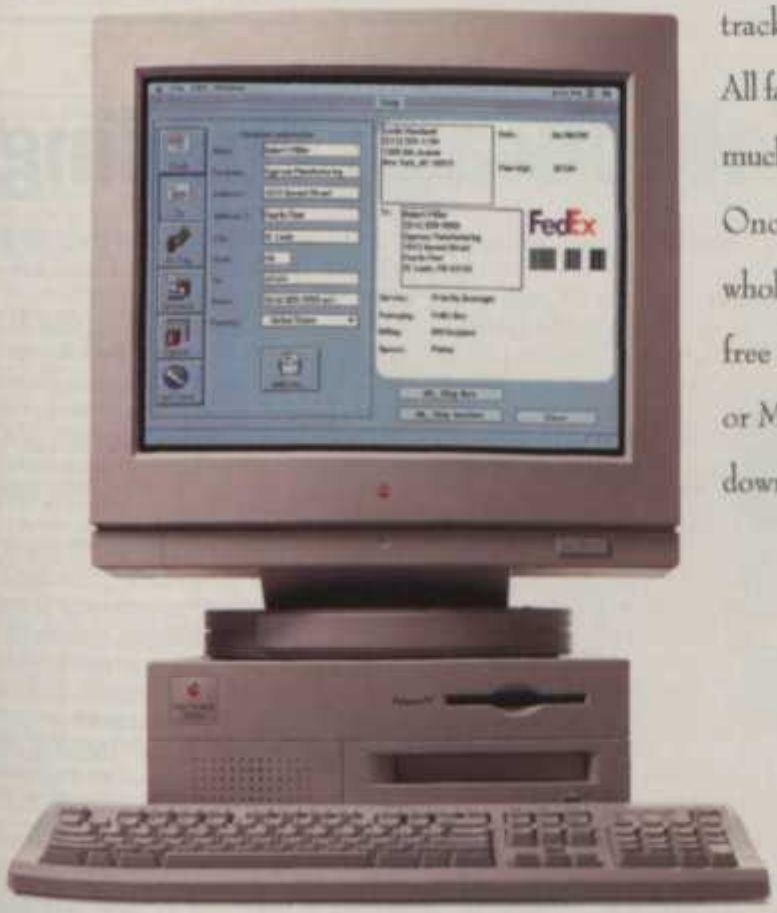
Chamber members may submit their recommendations for candidates for directorships. Call Mary Stranova at (202) 463-5335 to request a recommendation form.

The deadline for submitting recommendations is Oct. 13.

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■ International

Renewal Of China's Trade Status Urged



The U.S. Chamber of Commerce remains optimistic that the United States will renew China's most-favored-nation (MFN) trade status despite some opposition by congressional lawmakers.

In July, the House tabled a resolution introduced by Rep. Frank R. Wolf, R-Va., that would have overturned President Clinton's decision to renew China's MFN status.

The Senate, meanwhile, put off the China issue until after Congress' August recess. While the issue had not come up for a vote at press time, the Senate was not expected to deny China's MFN status, according to Willard A. Workman, the Chamber's vice president/international.

Nonetheless, Workman has asked that Chamber members contact their senators to urge them to defeat any attempts to deny MFN to China.

Most-favored-nation status is routinely granted to most nations that trade with the U.S. and does not convey any special trade privileges. Although authority for granting and renewing MFN status rests with the president, Congress can pass legislation to deny or restrict such designations.

Most of the opposition to MFN status for China has come from lawmakers concerned about the nation's record on human rights.

The Chamber believes that granting China unconditional MFN status is important to U.S. economic interests and should not be linked to human rights or other nontrade matters. With the world's third-largest economy, China is a major market for U.S. firms.

Also, if its trade status is not renewed, says Workman, China would likely retaliate by restricting its U.S. imports, resulting in the loss of American jobs.

Further, the Chamber believes that by limiting trade with the Asian nation, the U.S. would harm forces in the country that are most sympathetic to political reform in China. The only way to ensure respect for human rights and to avoid jeopardizing U.S. economic interests, says Workman, is to stay involved in China's economy. This requires unconditionally renewing MFN status for China.

■ CIPE

Chamber Affiliate Awaits Funding

An affiliate of the U.S. Chamber of Commerce that fosters developing free-market economies is awaiting Senate approval of its funding under the National Endowment for Democracy (NED).

The affiliate is the Center for International Private Enterprise (CIPE), one of several organizations that receive money from the endowment for projects that encourage democratic principles abroad.

The House of Representatives recently passed the American Overseas Interests Act of 1995, which reauthorizes the endowment. It also approved the bill appropriating funds for the State, Justice, and Commerce departments, which includes money for the NED.

The Senate version of the reauthorization measure was approved by the Foreign Affairs Committee. The legislation was pulled from floor consideration, however, when objections were raised about State Department reorganization provisions.

The Chamber is asking its members to urge their senators to pass the Foreign Relations Revitalization Act of 1995, which includes the NED reauthorization. It is also asking them to urge senators to approve the appropriations bill for the State, Justice, and Commerce departments.

John Sullivan, CIPE executive director, is cautiously optimistic that the NED will be renewed by Congress. "Both authorization committees have gone on record noting that the NED is something they endorse as part of the new Republican era," said Sullivan.

Since it was established in 1983, CIPE has made nearly 300 grants in 56 countries to organizations that foster democracy through free-market economics.

As one of its recent initiatives, CIPE opened an office in Moscow, embarking on a $1.7 million program of training and grants with the Russian Chamber of Commerce and Industry.

Through funding from the U.S. Agency for International Development, the CIPE program will help the Russian chamber develop into a nationwide business association that provides services to its members and effectively supports the country's transition to a market-based democracy.

To achieve those goals, CIPE plans to institute three programs: training for leaders and key staff members in the national and regional Russian chambers of commerce in such areas as public-policy advocacy and small-business development; small grants to support projects created as a result of that training; and accreditation for local and regional Russian chambers modeled after the U.S. Chamber and other programs.

Call your senators immediately. Dial the Capitol switchboard at (202) 224-3121, and urge passage of the Foreign Relations Revitalization Act of 1995 and the State-Justice-Commerce appropriations bill.

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U.S. Chamber MemberServices

The U.S. Chamber of Commerce offers numerous services and publications to its members. Here is a partial listing of these benefits.

Management Training



Hyrum Smith

"Gaining Control: Five Steps To Freedom and Success" will be the topic of a seminar for business people Oct. 10 that will be conducted by Hyrum W. Smith, co-founder and chairman of the board of Franklin Quest Co. and author of several books, including *The 10 Natural Laws Of Successful Time and Life Management.*

Franklin Quest teaches effective time management to executives and other professionals.

The seminar is part of the Chamber's fall Quality Learning Series produced by the federation's Quality Learning Services (QLS) Department.

Also in October, Brian Joiner, CEO of the consulting firm Joiner Associates, will present a seminar titled "Examples in Improvement: Lessons Learned." The date for that event is Oct. 3.

And on Oct. 31, Garry Mathiason, a San Francisco attorney, and Chris Hatcher, professor of psychology at the University of California at San Francisco, will host "Violence in the Workplace." This seminar will be co-sponsored by the Society for Human Resource Management and the National Chamber Litigation Center, the Chamber's public-policy law firm.

Like all the seminars in the series, "Gaining Control" and "Examples in Improvement" will air from 1 to 3 p.m. Eastern time at locations where it will be downlinked nationwide.

Dates, seminar leaders, and subjects for the remaining programs in the fall series are:

Nov. 7—A. Roger Merrill, vice president and founding member, Covey Leadership Center, "Win-Win Stewardship."

Nov. 14—Patricia Harrison, president, National Women's Economic Alliance Foundation, "A Seat at the Table: An Insider's Guide for America's New Women Leaders."

Dec. 5—Joel Barker, president and founder, Infinity Limited consulting firm, "Five Regions of the Future."

To learn how you can host a downlink site or purchase taping rights, call QLS at 1-800-835-4730 or (202) 463-5940.

Regulation Conference

The National Chamber Litigation Center, the U.S. Chamber's public-policy law firm, is sponsoring a briefing on the federal regulatory process Oct. 17 at the Chamber's Washington headquarters.

Several top regulatory agency officials will participate. House Majority Whip Tom DeLay of Texas, one of the Republican leaders working to reform the regulatory process, will be the luncheon speaker.

The all-day event starts at 9 a.m. and costs $250 ($225 for NCLC members). For more information, call Cam Esser at the National Chamber Litigation Center at (202) 463-5337.

Congressional Vote Ratings

The Chamber's Office of Membership Grassroots Management has produced a handbook comparing U.S. House and Senate members' vote ratings for 1994 from various interest groups.

Lawmakers are listed by state, and their vote ratings from the Chamber, Americans for Tax Reform, the American Conservative Union, the AFL-CIO, and the American Civil Liberties Union are included.



Copies cost $7.50 for Chamber members and $10 for nonmembers. Bulk-order discounts are available. To order the *Comparison of Congressional Vote Ratings*, call 1-800-638-6582. In Maryland, call 1-800-352-1450. Or send a check or money order payable to the U.S. Chamber to Publications Fulfillment, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000. Request publication No. 0440.

Studio Rentals

The Chamber's television facilities in Washington, D.C., can be rented for videoconferences, professional briefings, and other programs. For more information, contact Suzi Montes de Oca at (202) 463-5921.

Latin American Investment Survey

The results of a survey on the investment climate in Latin America are available from the Chamber's International Division.

Produced by the Association of American Chambers of Commerce in Latin America (AACCLA), an affiliate of the U.S. Chamber, and conducted by Chase Manhattan Bank, this second annual survey analyzes the state of foreign investment and trade liberalization in 22 Latin American countries.

For a copy, contact Andrew Howell of the Chamber's International Division at (202) 463-5485. The cost is $30, plus $2.50 for shipping and handling.

Business Help

Nation's Business, the U.S. Chamber's monthly magazine, offers a number of ancillary products to help people start and expand businesses.

Among them are:

BizPlanBuilder, a computer program that can help produce a polished business plan. It includes more than 90 pages of typed and formatted forms and files needed for a professional-looking plan. The product comes with a 126-page reference guide and is available on disk for DOS (5¼ or 3½), Windows (3½), and Macintosh.

EmployeeManualMaker, which allows business managers to publish their own manuals on company policies, procedures, and benefits. The computer program has more than 140 ready-to-customize documents. It comes with a 400-page reference guide and is available on disk for DOS (5¼ or 3½) and Macintosh.



Sales LetterWorks, a program containing 308 custom-crafted letters for use in virtually all aspects of selling, including responding to customer complaints and collecting money. The program comes with a 372-page book and is available on disk for DOS (5¼ or 3½), Windows (3½), and Macintosh.

Business LetterWorks, which contains 400 professionally written letters covering all areas of business, including letters to advertisers, suppliers, and employees. The program comes with a 470-page book and is available on disk for DOS (5¼ or 3½), Windows (3½), and Macintosh.

To order any of the products listed above, call 1-800-816-7733.

Management Videotapes

A videotape catalog of management seminars produced by the Chamber's Quality Learning Services (QLS) Department is now available.

The catalog also contains videos on other training resources from The Training Edge, Inc., a distributor of training videos in Palatine, Ill. Members of the U.S. Chamber receive discounts on videos produced by The Training Edge.

Price information for the tapes, as well as brief descriptions of each QLS seminar, is included in the catalog. For a free copy, call QLS at 1-800-835-4730 or (202) 463-5940.